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BRIEFS

FOREIGN MINISTER ON 'ZCNE'--In the view of Foreign Affairs Minister Paavo Vayrynen, the future disarmament and arms control arrangements concerning Europe can well begin in the north. Vayrynen, who spoke at a meeting of the Paasikivi Society in Lahti, said that the project to establish a nuclear-free zone in the north must continuously be kept alive. It has been emphasized in Denmark, Norway and Sweden that the establishment of a nuclear-free zone is closely connected with other European security arrangements. In the opinion of Vayrynen it is nevertheless, not right to freeze the development of the idea of the zone, which is essential to us, and postpone it to an uncertain future. Vayrynen promises that Finland, even in the future, will work actively for the implementation of the zone project. [Text] [LD041546 Helsinki Domestic Service in Finnish 1400 GMT 4 Oct 81]

CSO: 3107/8

ICELAND BID FOR GREENLAND TRADE REPORTED

Reykjavik NEWS FROM ICELAND in English Sep 81 p 4

[Text] Recently, the Icelandic Export Centre (*Íslenska útflutnings-
miðstöðin*) in Reykjavik announced initiatives designed to prepare the ground for a wide range of services that enterprises here are willing and able to undertake for parties in Greenland. Several factors make for very intriguing possibilities in such cooperation, over the long term.

For starters, the IEC organized a mission to Greenland to promote Icelandic expertise in various fields, not least trade and fisheries technology. In that effort, the company was joined by building contractors, consulting engineers and shipyards in this country, among other things. The tour was expected to take place in early September.

As was noted by IEC executive director Úlfur Sigmundsson when Reykjavik reporters queried him on the general scheme, the level of Greenland's external trade is huge in relative terms. The figure is equal to roughly one-third of Iceland's, even though the population of the neighbouring nation is just some 40 thousand, he said.

In recent years, there has been some activity in Greenland by Icelandic contractors, by arrangement with Danish firms but typically on a very modest scale. Thus far, virtually all of Greenland's import-export trade has been handled by an official Danish agency.

That is likely to change, however, as various powers of government and administration are to be gradually transferred to Greenland, where home rule was formally established in early 1979 after a plebiscite. A parallel degree of autonomy was achieved by Iceland in the year 1904.

The IEC is a national leader in the export of shrimp and scallops, while also shipping frozen fish products on some scale. The company seems very interested in bidding for marketing assignments in Greenland, though no specific deals are known to be in the cards.

COMMERCE MINISTER FAVORS EEC ACCESSION

Nicosia CYPRUS MAIL in English 18 Sep 81 p 2

[Text] Those who may think that joining the EEC is a panacea should be making a grave mistake, the Minister of Commerce and Industry Mr C. Kittis says in an article published in the quarterly periodical of the Ministry.

In this article Mr Kittis examines why Cyprus has to associate itself with the EEC, what are the difficulties faced and what the impact of a Customs union shall be.

The Minister's concluding remarks are: "Unless serious steps are taken to re-structure our industry, we shall be in for very unpleasant surprises."

The following is the full text of the article which becomes quite topical with the current negotiations about the third stage of Cyprus's association towards Customs Union.

In March 1957 six European countries signed the "Treaty of Rome" by which what is known as European Economic Community came into being. In 1973 three more European countries joined and with the accession of Greece on January 1, 1981, the EEC now embraces 10 member-countries.

Spain and Portugal may soon join the Common Market increasing the member countries to 12.

With the Treaty of Rome, the founder members undertook to achieve by 1970 a Common Market by:

- Waiving restrictions on the movement of goods, services, labour and capital.
- The implementation of a common external tariff to govern imports from non-member countries.
- The implementation of a common economic policy in both the industrial and agricultural sectors.

These targets were in fact achieved in July, 1968.

The EEC has resulted in many benefits for the population of member countries; the main ones are:

--The considerable expansion of the market size. Agricultural and industrial production is planned for a market of about 275 million people and can enjoy economies of scale and the possibility of selective production on the basis of comparative advantage and opportunity costs.

--The implementation of integrated and regional policies in the industrial, financial, fiscal, geographical and communications sectors has proved to be beneficial and contributed towards a higher standard of living for all member-countries.

II. Why does Cyprus have to associate itself with the EEC?

The economic importance of the EEC is obvious when one considers the fact that total population will soon be 320 million compared to 225 million of the USA and 260 million of the Soviet Union. EEC is the leader in World Trade accounting for about 35% of world exports and 36% of world imports. The standard of living in member-countries is among the higher in the world.

It is not strange therefore that every country shows keen interest in the EEC and its affairs: every country wants to share part of the cake. And so does Cyprus.

But we have another important reason why we wish to be associated with EEC. Prior to 1973, being a member of the commonwealth, Cyprus enjoyed preferential treatment for its products imported in the UK--the traditional market and the major buyer of Cypriot agricultural and manufactured goods. Since Britain joined the EEC, Cyprus was bound to lose this preferential treatment and the effects on the economy of the island would have been detrimental. It was therefore essential for Cyprus to maintain its traditional market and the preferential treatment for its produce--hence the need to associate with the EEC in some way.

As a result of several months of negotiations Cyprus signed an Association Agreement with the EEC in December, 1972.

III. Why should we select the Customs Union?

Cyprus has decided to proceed with a Customs Union Agreement. When fully implemented, it will allow duty-free movement of goods which will enable our products to be exported to the Community without restrictions. We shall, at the same time, have to adopt the Common Customs Tariff which will be applied to imports from non-EEC countries.

IV. The current situation

The initial Association Agreement provided for a Customs Union in two stages-- Stage I commencing on signature (Dec. 72) and expiring on June 30, 1977, with Stage II commencing on July 1, 1977, and would extend in principle over 5 years. It also provided that 18 months prior to the expiration of the first stage the two parties would commence negotiations to decide the regime to apply during the second stage.

The main concessions made to Cyprus provided for a 70% reduction in duties of all Cyprus manufactured goods, provided they satisfied the rules of origin-- e.g. goods manufactured of Cypriot or EEC raw materials are covered under these rules.

Furthermore, Cyprus continued to enjoy the then existing preferential tariff regime on all its exports to U.K. until 30th June, 1977, whilst an import quota of 200,000 hls of sherry was granted on which no duty would be paid. Tariff on citrus fruit exported to markets other than U.K. was reduced by 40% whilst a quota of 110,000 tons of potatoes could be exported to U.K. with the existing preferential treatment.

On its part, Cyprus reduced by 35% its import duties over a 5 year period on goods of EEC origin except for certain products specifically mentioned in the protocol for the sole purpose of protecting local industry. The reduction of duties was to be effected in three stages over the five years.

On September 15, 1977, an additional protocol was signed which extended the first stage until 31.12.79. According to this protocol, manufactured goods of Cyprus origin based on Community rules of origin were to enjoy 100% duty reductions; rules of origin for textiles were slightly improved allowing knitwear manufactured from raw materials imported from third countries to be considered as being of Cyprus origin, under the said rules.

The protocol also provided for the concessions to apply to our main agricultural products such as potatoes, carrots, table grapes, wines, citrus fruit, vegetables and canned fruits and vegetables.

The efforts to move to the second stage of the Association Agreement made in May 1979 did not materialise mainly as a result of the differences between member-states on the Mediterranean policy and the Common Agricultural policy of the Community. Political problems resulting from the Turkish invasion were successfully overcome. Thus, the first stage was again extended until 31st December, 1980.

On November 24, 1980, the Association Council decided to move into stage II of the Association Agreement as of January 1, 1981, and defined the process for the transition to Customs Union in three periods:

--1981
--1982-83
--1984 onwards.

The concessions which both parties extended in 1980 will remain unaltered during 1981. In 1981 negotiations will define the regime to apply for 1982/83 and which is expected to be somewhat more favourable than 1980. In 1982 negotiations will be held to define the transitional period to Customs Union, commencing in 1984.

V. What are the difficulties faced?

It is my personal opinion that the difficulties which Cyprus faces in achieving a final agreement for a Customs Union are mainly due to--

(a) The fact that individual member-countries have national interests and constraints which create a "tug-of-war" between them in bargaining various matters of difference in opinion; they use therefore "third country interests" to give or take in negotiating tactics. Hence Cyprus must achieve its targets at a time when the national interests of most member-states would tend to coincide. The fact that the EEC now comprises 10 countries and is expected to increase to 12 during the course of the new few years, of which at least 3 have similar agricultural production patterns as Cyprus, tends to increase difficulties and requires more careful planning and continuous action and perseverance.

(b) The fact that there exists considerable difference of opinion among member-states in relation to the Common Agricultural Policy does not facilitate substantial improvement of concessions to agricultural produce.

We must hope that the Community's Common Agricultural Policy will, in the near future, become less inflexible and more liberal, for this will allow a Customs Union Agreement to evolve into a dynamic well-balanced and mutually beneficial economic relationship.

VI. Is joining the Common Market a panacea?

Those who may think, however, that joining the EEC is a panacea would be making a grave mistake.

Agricultural goods are expected to benefit from the Customs Union, especially considering the fairly higher quality and the early production capability of our agriculture. Yet prices should be confined within competitive limits through effective cost management. By this I would warn against the easy solutions of subsidies. In my opinion subsidies are no answer because they do not benefit either the economy or the producer. They simply benefit the consumer in other countries.

Measures such as larger farming units, large scale cultivation and irrigational systems, concentration of production on specific specialty products of high value-added and automated packaging would be required to contain costs of production.

The impact, however, on a considerable range of manufactured goods would be unfavourable. The Customs Union will lead to a very keen competition in the local and export markets as a result of the abolition of import duties and quantitative restrictions which now offer protection to locally manufactured goods; competition will also increase because the consumer will be offered a wider and more diversified choice.

Furthermore, the adoption of the Common Customs Tariff is expected to cause an increase in the cost of raw materials from third countries with cost-push effects in production costs.

Bearing in mind the general characteristics of the manufacturing sector such as the large number of production units of small size, the family nature, the

unfavourable capital structure, the dependence on imported raw materials, the low technological level of industry, the low utilisation of capacity, the shortage of skilled labour etc. it is felt that, unless serious steps are taken to restructure our industry, we shall be in for very unpleasant surprises.

The Government has a serious role to play in this transformation through education and extension of the necessary services.

Yet the major responsibility lies with the manufactures themselves. Apart from the fact that the willingness to change and adjust to the challenge must be genuine, it is essential for our manufacturers to become more marketing oriented, to encourage specialisation and improve organisation and planning procedures. Furthermore, the mentality should change towards joint-ventures and amalgamation for the purpose of creating capital intensive, large production units which would allow higher cost effectiveness.

CSO: 4600/31

COUNTRY'S CONTRIBUTION TO INTERNATIONAL TECHNICAL COOPERATION

Nicosia CYPRUS BULLETIN in English No 36, 19 Sep 81 p 2

[Text] The Minister of Labour and Social Insurance, Mr George Stavrinakis, and other officials attended the annual closing ceremony of the Mediterranean Institute of Management MIM 1980/81 Post-Graduate Management Diploma Program and the inauguration of the 1981/82 Program, held on September 12.

With the establishment and successful operation of the Mediterranean Institute of Management, the Government of the Republic of Cyprus aims at contributing effectively towards furthering the U.N. concept of technical cooperation amongst developing countries.

Another objective is the retraining and productive employment of unemployed university graduates.

Moreover, the MIM organized in 1981 a 6-week special program for the Near East Region on the "Marketing of Fruit and Vegetables" for the United Nations Food and Agriculture Organization.

The Mediterranean Institute of Management serves as the Interregional component of the Cyprus Productivity Centre. A number of overseas participants attend the Diploma Program. This year there are 7 overseas participants, 3 from Greece, 1 from Tanzania, 1 from India and 1 from Zimbabwe.

Inaugurating the 1981/82 MIM Program, the Minister of Labour and Social Insurance observed that Cyprus and other developing countries in our region are frustrated in their efforts to accelerate industrial development because they are confronted with lack of professional managers suitably qualified to solve the specific national problems within their environment.

"The training provided by the MIM," the Minister said, "will in the long run offer to the region well-trained managers thus contributing positively to the development efforts of Cyprus and its neighbours."

The MIM Director, Mr Haris Constantinou, spoke about the Program and its targets and praised the work of the staff. He also wished the 1980/81 graduates happiness in their business and personal lives and welcomed the new participants for the 1981/82 Program.

UNEMPLOYMENT MAY RISE, WARNS BANK OF CYPRUS

Nicosia THE CYPRUS WEEKLY in English 25 Sep-1 Oct 81 p 8

[Text]

The measures taken by the government to control inflation and contain the rise in imports have begun to produce desirable results, says the latest Bank of Cyprus Bulletin. At the same time, however, the measures have adversely affected production and employment.

The average increase in retail prices fell to 10.9% during the first half of this year, as against a rise of 13.5% in 1980. The balance of payments on visible trade and current account showed an improvement, reflecting a sharp fall in imports growth and a good performance of the tourist sector.

Domestic output

Estimates show a reduction in the current account deficit by about one-third, from £59.2 m. in the first six months of 1980 to £39 m. in the same period this year.

But the rate of increase in domestic output slackened. Provisional figures show that the GDP (Gross Domestic Product) rose by only 3.5% this year compared with 4.3% last year and a 7.5% growth in 1979. This was due to depressed world demand or the restrictive

measures taken by the government, the Bank of Cyprus report says.

Unemployment has been gradually rising since June 1980. The jobless rate went up from 2% in June 1980 and 2.4% in December, to a seasonal high of 2.9% in June this year. Construction has been the most heavily hit sector, where registered unemployment rose by nearly 190% in 12 months.

The Bank warns that the unemployment situation may continue to worsen and that the number of jobless in Cyprus may exceed 3% by the end of the year.

The Bank says a rise in production in the region of 3% is likely to be achieved this year.

The prospects for further growth depend mainly on how far export-oriented industries can improve their international competitiveness "which in certain cases has recently been eroded".

This can be achieved by bringing down the rate of inflation which, although slowing down, "is still higher than that in a number of competing countries".

STATUS OF PITSILIA PROJECT REPORTED

Nicosia THE CYPRUS WEEKLY in English 25 Sep-1 Oct 81 p 9

[Text]

President Kyprianou, who visited Eftagonia in the Limassol district at the weekend, discussed problems facing 14 villages in the region — part of the Pitsilia Integrated Rural Development Project now under way.

He said that £500,000 has been spent on road and irrigation projects and that work is continuing on the construction of water reservoirs and ponds at Eftagonia and Arakapas.

The Pitsilia Project started early in 1978 and should be completed next year. Its main objective is to stimulate the economically depressed mountain region by developing its productive resources and improving social services such as health and education.

The total investment will amount to about 25 m. dollars of which 10 m. have been secured through a World Bank loan. The balance will be covered by the Cyprus government.

A total of 49 mostly small, poor villages, have been included in the Project; they have a population of 21,000 and belong administratively to the districts of Nicosia, Limassol and Larnaca. A rugged topography prevails, the

region lies at an elevation ranging from 500 to 1,600 metres above sea level, and the terrain is dissected by numerous streams and small deep valleys.

It is an area of traditional agriculture with a marked trend of depopulation. The Project is the first of its kind in Cyprus and a pioneering one in the Middle East, North Africa and Europe.

The investments will go on developing the region's water resources, opening up new agricultural land, construction and improvement of farm and village roads, and on providing credit for agricultural development.

In the social sector, primary education is upgraded, the health facilities are substantially improved, village streets are repaired and domestic water supply is improved to compare with that of urban centres.

The aim is to raise the standard and quality of life of the region's population through an increase of employment opportunities, doubling per capita income and upgrading the social and environmental conditions in the region.

CSO: 4600/40

BRIEFS

CREDIT RATING--The international credit rating of Cyprus has slipped by only 0.8 per cent over the past year, compared to an average decline of 2.7 per cent for 104 countries listed in a survey by New York's Institutional Investor magazine. Even so, as a result Cyprus dropped one place, from 71st to 72nd in the world rankings for credit-worthiness. With the United States at the top of the list with a rating of 98.3 (up 0.1) Cyprus is given a rating of 35.8, 12.2 points below the average of 48 for the 104 countries listed in the survey. Cyprus' rating is close to that of Jordan (39.7), Egypt (38.8), Israel (38.1) Morocco (36.7) and Syria (27.9). The New York-based magazine asked 100 international banks, to rate the credit-worthiness of each country on a scale of 0-100. The ratings are considered important in financial circles because bankers will require much stiffer conditions and higher interest rates on their loans for low-rated borrowers. The Institutional Investor ratings are regarded as accurate by the U.S. financial community and a fair reflection of worldwide banking opinion. [Text] [Nicosia THE CYPRUS WEEKLY in English 25 Sep-1 Oct 81 p 8]

CSO: 4600/40

STOLTENBERG PROPOSES MORE CUTS IN SOCIAL PROGRAMS, PUBLIC SECTOR

Munich SUEDEUTSCHE ZEITUNG in German 15 Sep 81 p 19

[Interview with Schleswig-Holstein Minister-President Gerhard Stoltenberg by editorial staff member Franz Thoma: "The Union Will Be Steering a Clear Course Toward Economy Measures — Schleswig-Holstein's Minister-President Favors Cuts in Unemployment Benefits, Further Economies in Public Service Sector and Private Participation in Health Care Services"]

[Text] Kiel, 14 September — Dr Gerhard Stoltenberg has a low opinion of a purely negative policy when it comes to putting public budgets back on a sound basis — specifically the federal budget. Rather, the minister-president of Schleswig-Holstein and fiscal policy spokesman for the Union-led Laender in the Bundesrat and the CDU party presidium is ready with clear alternatives wherever the Bundesrat or Union cannot go along with the government's plans. He favors constructive cooperation in areas where the federal government's proposed cuts can be supported. In an interview with the SUEDEUTSCHE ZEITUNG [SZ], Stoltenberg also makes some seemingly unpopular proposals — cuts in unemployment benefits, economies in the public service sector and reduced costs for health care. For there is no doubt about the need for economy measures, though Stoltenberg criticizes the piecemeal nature of Bonn's plans in this area. The text of the interview follows.

SZ: Herr Stoltenberg, what would you do if you were federal finance minister?

Stoltenberg: On 27 July, Finance Minister Matthoefer told the SPD parliamentary group some of the things that have to be done: A shift in trend is needed, and the dynamics of social legislation must be slowed because the productivity of the national economy is no longer keeping pace. Private and public investments, which have been shrinking since 1970, must increase their share of the gross national product once again. So the disproportionate rise in social benefits cannot go on.

SZ: None of that is new anymore. What about prospects for the future?

Stoltenberg: I think the government's most important task is to make known the connections between fiscal policy and economic policy as a whole, including the policy on employment. For the citizenry will understand the unavoidable — in part

harsh -- moves against benefits laws and assets only if these cuts are that element of a future-oriented policy which strengthens the national economy's ability to compete, solves the problems of unemployment and also restores people's confidence in the future. Individual decisions must be based on these principles.

"We Shall Be Proposing Additional Cuts"

SZ: Do you think the recently resolved moves against the benefits laws are enough to restore the soundness of government finances?

Stoltenberg: The cuts envisioned by the government will not be enough to put the budget back on a sound footing, effect a gradual reduction in the government debt or open up some room to maneuver in the area of employment. This is why we propose to insert specific additional moves against benefits laws into the legislative process.

SZ: Has the link between fiscal and economic policy been established only to an inadequate degree in Bonn's economy program?

Stoltenberg: Yes. That's a crucial weakness. The silly squabble over the abortive idea of a supplemental assessment has apparently made it impossible to work out such a plan. Contrary to all the assurances by Genscher, Lambsdorff and Matthoefer, the policy of raising taxes and assessments is being continued. It is especially critical that the authorization limit for unemployment insurance contributions is scheduled to be lifted from 3 percent to 4 percent. That additional percentage point means an added tax burden of DM 6 billion for business and labor. Although the present intention is to ask for only .5 percent and to reduce temporarily the pension insurance contribution that was just raised, the government's bill naturally elicits the fear that the next phase has already been made part of the plan.

SZ: But real tax increases have also been planned....

Stoltenberg: If we take the various increases in taxes on consumption and figure in the cutback on tax benefits, the result since the Bundestag elections is an annual increase in the tax and assessment burden amounting to a good DM 10 billion. This runs counter to all the correct statements that the government's share should be limited and reduced somewhat. Here again, the result is that additional cuts are unavoidable.

SZ: Does the opposition have precise conceptions that go beyond these and similar postulates?

Stoltenberg: It is certainly our obligation to be more specific.

SZ: How specific will you get, considering that the Union has long been opposed to making verbal statements. As things stand now, generalizations no longer suffice, is that right?

Stoltenberg: That's correct. But the Bundestag parliamentary groups resumed their regular work only a short while ago. There have been intensive preliminary discussions. We're a bit farther along than has been publicly apparent so far. But we

also have to observe order. Final motions can be formulated only after they have been passed by the Laender cabinets. Moreover, there also has to be coordination on essential points with the parliamentary group in the Bundestag. This does not mean, however, that the Bundesrat majority and the Bundestag parliamentary group have to proceed in a totally uniform manner down to the last detail.

Key Words: Support for Secondary School Students and Welfare

SZ: What are your specific proposals on economy measures?

Stoltenberg: One specific item, for example, is a review of support for secondary school students under the Law for the Advancement of Education. This support now swallows up approximately 50 percent of the total funds. Another item is limiting the rise in the cost of welfare. There is no reason why a woman who has two children and works as a saleslady should have a lower income today than a woman who has two children and goes to the welfare office. This is not only a fiscal issue; it's also a social-ethical one. The difference between the net incomes of working people and those who don't work has simply gotten to be too small. The acknowledgement of occupational achievement and the increased motivation also to achieve more is a central issue. At the same time, attacks on the social welfare structure must be proportioned in such a way that no one truly needs to fear for his survival.

Unemployment Benefits: Reduce Them or Apportion Them Some Other Way

SZ: This comes down to cutting back on unemployment benefits.

Stoltenberg: This criteria also applies to our intention to economize on unemployment benefits. It's a sensitive point. The final plan has yet to be formulated. People employed right now in the tourism business, for instance, who work 6 or 7 months a year with overtime, can earn a higher net income than other people who work 12 months out of the year with no overtime. A certain adjustment is unavoidable, also with respect to the otherwise permanent, regular increases in contributions.

SZ: Can the reduction that you have proposed be quantified yet?

Stoltenberg: There are two alternatives that we have to choose between in the next 14 months. It's clear in principle that we'll be making a proposal. One is along the lines of an across-the-board cut in unemployment benefits from the present level of 68 percent to between 63 and 65 percent; the second proposal involves a change in the basis for apportioning benefits. Experts will be discussing these proposals, and then a political decision will be made.

Possibilities for Economies in the Public Service Sector

SZ: Do you also have plans for the public service sector?

Stoltenberg: We have to talk about individual aspects of this service. I'll give you an example. Given the present financial crisis, I consider it no longer necessary for government employee candidates to be already getting 100 percent of their entry-level salaries. A reduction to 90 percent would lead to budget savings of between DM 400 million and 500 million. Of course, one cannot fairly expect of the

CDU/CSU or of the Union-led Laender that every point already in this legislative process will become a formal motion. We'll be doing that with some items; with others we'll be calling on the government to submit proposals as soon as possible. There are also areas where cost-cutting is tied to aggravating political issues.

SZ: What examples do you have in mind?

Stoltenberg: The Laender in particular are becoming convinced that we need more effective measures against abuse of the right of asylum. On-the-spot conditions are plainly catastrophic.

Wrong Approach to Right of Asylum

SZ: What do you think of the present decision to wait 2 years before granting a work permit to those who apply for asylum?

Stoltenberg: I consider this decision to be extremely dubious. Many applicants are referred back to the welfare system. This costs the Laender and the municipalities many hundreds of millions of marks. And it doesn't solve the problem. We have a draft bill which passed unanimously in the Bundesrat and which represents a minimum catalogue designed to shorten procedures and eliminate several of the worst cases of abuse. But the government coalition won't move on it. Laender and municipalities have to pay out more than a million marks each year solely for candidates for asylum. At the same time, it is not a question of curtailing the basic right of asylum for those who are truly politically persecuted. But there are forms that are developing to the point of an organized trade in human beings; these are not in accord with the intentions of our founding fathers.

SZ: Doesn't it emotionalize the situation to drag out the work permit process?

Stoltenberg: I'm afraid that social conflicts are also a result. If applicants for asylum come to our country under fairly strict conditions and often have to wait years for a court-approved decision, I would always prefer that they work rather than receive welfare aid. And not only for financial reasons but also for reasons of a meaningful job for the perhaps limited time that these people are here.

SZ: Naturally it is not the task of an opposition party to submit an alternative program of economy measures complete to the very last detail. But the key points have to be clearly visible. Now then, the Union's proposals on unemployment benefits show the courage to do the unpopular thing, while it has remained fairly uncommitted when it comes to the public service sector — aside from what we've already said on that subject. Why?

Stoltenberg: The public service sector has been relatively hard-hit by the present decisions to cut back. There is a sore point here: The planned postponement of the salary adjustment by 3 months can be decided for government employees by the

legislature. In the case of laborers and salaried employees, a negotiated wage agreement is required. In principle, however, I do not oppose this plan as long as equal treatment is assured. And added to this is the scheduled across-the-board wage cut.

SZ: Do you also approve of that?

Stoltenberg: I approve in the form that is now envisioned. I've mentioned an example for a possible initiative that goes further than this. Nor do I rule out other adjustments.

SZ: Can you cite examples of these, too?

Stoltenberg: I'm in favor of conducting a careful review of the regulations governing the assistance laws. We are still totally unclear on whether the legislature does this now for the federal government or whether the Laender also do it on their own.

Quick Budget Fix Not Possible

SZ: In general, do you consider adequate the limitations on expenditures and net indebtedness now envisioned for the 1982 federal budget?

Stoltenberg: The delay in political decisionmaking in Bonn and the denial of the problem prior to the Bundestag election is now having serious consequences. It is an absolute impossibility to put federal finances and public budgets back on a sound footing with a quick, 3-month process. We basically need a more carefully prepared concept with a substantially longer life. The government ought to work out a phased plan which would deal with some of the points that cannot be clarified legislatively as of 1 January 1982, and which would produce unhurried decisions on these points next year in the course of a careful legislative process. Two reasons underscore this argument. Some of the financing for the 1982 budget is to come from a Bundesbank [central bank] profits payment amounting to more than DM 6 billion. These are probably one-time earnings, so a new deficit will already be developing in 1983. The second reason is that revenue for 1982 is on shaky ground.

SZ: So you expect a worsening trend?

Stoltenberg: I'm afraid that the unemployment figures will be higher than is now supposed. This can mean a shortage running into the billions for the government and for social insurance. Nor am I completely sure whether we'll attain a real growth rate of 2.5 percent in 1982. But a single percentage point less means an added burden of DM 7 billion (resulting from reduced revenue and increased outlays). This is where the connection between fiscal policy and economic policy becomes clear, also from the revenue aspect.

SZ: But there are also positive shifts as well, aren't there?

Stoltenberg: The government's proposals to improve degressive depreciations is certainly a step in the right direction. We won't fight them even though the

Laender and the municipalities will have to sustain most of the revenue losses. But beginning right with housing construction, the lack of completeness becomes evident. A certain improvement in the overall tax situation corresponds to former proposals by the Bundesrat and the CDU/CSU. But if we don't get around to reforming the tenancy laws, I'm afraid the impulses we're hoping for in the construction of rental housing won't materialize.

This exemplifies the piece-meal nature of the existing concept. Added to this is the debate that is yet to come over the removal of regulations that discourage investment. The legal situation in the area of power plant construction continues to be uncertain. We have the aspect of waste disposal, the question of the reliability of compact storage facilities, a new opinion by the administrative court that is completely counter to the unanimous view of the chancellor and the minister-presidents of the Laender.

The federal interior minister is neglecting to use ordinances and administrative regulations to anchor the policy determined jointly by the heads of government. This means that there is no sure foundation for large investments that can be financed after assessments without raising taxes.

SZ: But isn't the most important task that of bringing the economy back into a growth phase by way of an incentive to produce?

Stoltenberg: This is why I allude to the benefits laws in a discussion of individual economy proposals. It simply makes no sense to pay BafoeG /Federal Law for the Advancement of Education/ to a 17- or 18-year-old schoolboy if afterwards there are drastic cuts in funds for training centers outside the workplace, if the schoolboy can't find a job after the crucial training phase. Here the system is on the wrong track. One must therefore set real priorities with which to back up cuts like the ones we are proposing in the educational advancement law and in other areas. Only in this way can a rigorous plan meet with understanding.

Productive National Economy As a Prerequisite for All Else

SZ: Won't the present budget woes also provide certain opportunities? Won't they unleash new productive forces?

Stoltenberg: I'm convinced that the critical situation in the economy and government finances also provides an opportunity. There are many who will acknowledge that many an overstated dispute in recent years was also an outpouring of wrong-headed thinking on affluence. I say yes to the formidable movement for ecology and the push for increased environmental protection. It's just that through many an excess we have found that here as well as in other areas a productive economy has been regarded as a self-evident standard. A certain revision in our thinking is necessary without renouncing the ecological mission. It must be recognized that healthy businesses and close to full employment constitute the basis for the productivity of

the state as well as society, in the sociological and the ecological realms as well as in education and culture. Here lies the central point. I do believe that many people have a clearer picture today of the mutual dependencies and priorities — and that a crisis releases great individual forces for preservation and increased productivity. There are many positive examples of this to be found with young people as well. But the thing that is missing — I'd like for once to avoid the expression "leadership" — is a bit of moral direction on the part of those in positions of political responsibility.

SZ: Isn't there also a negative influence that emanates from the attitude of associations, trade unions and functionaries? Isn't the citizen more sensible than associations and functionaries?

Stoltenberg: When a government proposes cutbacks, it's inevitable that associations will protest. The first protest messages are already lying on my desk. But I see in this no condition of agitation or bias that alarms me or might in any way limit the ability of the constitutional organs to act. To be sure, most of my fellow citizens do in fact have a greater appreciation for limited cutbacks than does many a functionary. But on the whole there is an absence of conclusive reasons as to why these cuts are unavoidable.

It ought to become clearer that we intend to use future investments to firm up the foundations for productivity, prosperity and social welfare. It must be noted, however, that the cutbacks in investments will continue to be substantial. In 1982 as well, important investments all the way down the line to environmental protection are to be cut further. The summary decisions to eliminate 3,000 positions at institutions that receive federal grants will have an unacceptable effect on our most important scientific institutions such as the Max Planck Society or the Prussian Cultural Heritage Foundation.

Constructive Role for the Bundesrat

SZ: What will the Bundesrat be doing now in the legislative process? The most controversial issue is the matter of cuts in the family allowance, isn't it?

Stoltenberg: It is not acceptable to raise the family allowance allotment by a good DM 2 million before the Bundestag election and then reduce it by DM 1.5 afterwards. But even if we're critical of this in principle, we have to be specific in other areas. I've named some of the main points that we agree on. We still aren't sure which of them will be submitted to the present legislative process as formal motions and which ones we plan to take up in the special session of the Bundesrat on 25 September and treat as appeals to the government to submit appropriate riders.

Our statement will present both elements — specific motions and appeals to the government to initiate something. On the second point we of course also assume an obligation. To be specific, we're calling on the government to come out with proposals — some of which will be unpopular — that will take time to work out, so it behooves us to cooperate in a responsible and constructive manner. This will be our policy.

It's correct that, with the exception of the family allowance measure, we intend to support most of the government's proposals for real cutbacks; we cannot, however, accept the increased burden on the Laender and municipalities. It makes no sense for the federal establishment to halt support for specific groups and then refer these groups to the welfare offices. Economies on the federal level at the expense of the communities would not constitute genuine cuts by the public sector.

In Favor of Private Participation in Health Care Sector

SZ: At this juncture we can pass on to Bonn's second bill designed to hold down costs. Is the approach here the right one?

Stoltenberg: We haven't gotten quite that far in our analysis of this official draft. But in any event, we absolutely must hold down costs. I make no bones about the fact that a strong step in the direction of private participation is necessary. In the long run we cannot have a private system of physicians, dentists and pharmacists -- a system that I agree with in principle -- while at the same time totally socializing costs for patients. This leads to serious problems that are reflected today in the medical insurance premiums that are growing by leaps and bounds. And cost-cutting in hospitals must also be examined. But there are critical points here as well. It's a questionable situation when the federal labor minister intends to uncouple the rise in health care rates from costs, thus burdening the communal, ecclesiastical and private hospital insurance carriers with sums in the billions that they cannot afford. These are a few of the first marking points.

SZ: Away from the socialization of costs -- how, in particular?

Stoltenberg: A socially graduated and reasonable charge to the individual must be brought back. Otherwise we're going to experience a horrendous and constant increase in the burden of premiums for those who are insured.

SZ: Shouldn't the to a certain extent unknown physicians' services to the insured also be disclosed?

Stoltenberg: Yes, that's another point. But I think a reasonable form of private participation would also have an effect on the physicians and their fee practices. In addition, I'm also in favor of taking further steps toward limiting costs through agreements between the responsible federal minister and the major physicians' organizations.

SZ: Shouldn't the insurance plans also reorganize their fee structures? So-called computer medicine takes in more money at present than is paid for actual medical services, isn't that right?

Stoltenberg: That's an important point. It concerned me to see that the federal labor minister intends by way of a still obscure process to draw up a list of positive medications from the standpoint of measurable effectiveness. This should be examined critically because I'm afraid the whole significant area of natural remedies, for instance, could be affected negatively by this. I'm not enough of an expert to be able to assess the critical debate over the advantages and weaknesses of modern medical technology. In any case, the present system of reimbursement very often leads to the selection of expensive forms of treatment even in situations where more economical medications could help.

KEKKONEN'S ILLNESS SPEEDS SETTLEMENT OF BUDGET PROPOSAL

Helsinki HELSINGIN SANOMAT in Finnish 12 Sep 81 p 8

[Text] President Urho Kekkonen's illness speeded the government's settlement of next year's federal budget. The representatives of the government parties were unanimous about this when the budget outline solutions were made and Prime Minister Mauno Koivisto (Soc. Dem.) had been transferred to handle the tasks of the president for one month. In the afternoon the leaders of the government parties already considered the effects of Kekkonen's illness on the resolution of the government situation.

The government's budget negotiations that had lasted over 2 weeks culminated Thursday night in the prime minister's official residence of Kesaranta. The government parties were again of different opinions in regard to the budget proposal and the Center Party had set Friday as the definite deadline for the negotiations.

The budget negotiations were led by the prime minister and on Thursday minister of the interior, Eino Uusitalo (the Center Party) stepped out from behind the scenes. This representative for president Kekkonen arrived at Kesaranta and stayed in a sideroom to wait and see what would take place during the evening.

About a quarter to ten in the evening Uusitalo received a telephone call and also brought the prime minister to the telephone. Secretary general Juhani Perttunen reported that president Kekkonen's illness required a one month long sick leave beginning on Friday.

The prime minister returned to interrupt the budget meeting, and the mass media representatives were told to leave the yard of Kesaranta. Koivisto informed the government that the budget negotiations would continue in the morning and before that one would continue to work based on one model which would be the last paper.

The budget group led by Koivisto gathered in the morning at 9 o'clock again and then the prime minister told about the situation caused by the president's illness and anticipated that a settlement would be reached.

Center Party chairman Paavo Vayrynen stated that a solution had been found based on the Center Party's "sound economic strategies." Kekkonen can be fairly pleased with this solution, according to Vayrynen who assumed that the central point of taxation

would be transferred next year from direct tax to turnover tax. The correction for inflation that has now not been made would, according to him, be compensated.

Vayrynen said also that the message about the president's illness no doubt furthered the settlement or at least speeded it up. According to Vayrynen the borrowing for the budget would stay within limits acceptable to Kekkonen. The Center Party chairman pointed out that the leftists would have wanted a larger loan for the budget account.

The second finance minister, Mauno Forsman (Soc. Dem.) thought that the president's illness was one reason why matters were brought to a quick solution.

The Resolution of the Budget Settlement

The budget negotiations that had lasted for over 2 weeks were settled on Friday in such a way that the correction for inflation on deductions for income taxes was not made in full. This brought 200 million marks to fill the gap in the budget.

By increasing the prices of liquor and tobacco by 12 percent another 100 million marks was gained. An increase of 8.5 percent had been planned originally.

Korte Informs About President's Illness

A settlement was reached and at 10 o'clock the entire government began negotiations, whereby the framework of the budget disputes was determined and at the same time the government was informed about the situation.

A little after 10 o'clock the State Council had a public meeting, whereby secretary general of the Ministry of Justice, Kai Korte, presented the information from the president's office, according to which "The president of the republic is, due to illness, not able to handle his duties as the president of the republic for one month starting today."

The government ordered that this information be entered into the protocol, as well as the fact that Koivisto will take over the president's duties. Koivisto left the government's meeting and the prime minister's substitute, Eino Uusitalo, began to lead the meeting.

Under Uusitalo's leadership the government's budget negotiations were also continued, but the pertinent solutions were already made. The details of the budget settlement were resolved under the leadership of minister of finances, Ahti Pekkala (the Center Party) in a budget committee consisting of four ministers and the entire budget task of the government ended with the State Council's session on Friday at 2 pm.

Since the breaking up of the government was no longer in question it was easy to settle the budget because the money disputes were, after all, very minor.

Matters Brought into Order

On Friday morning chairman of the Finnish People's Democratic League evaluated the situation by saying that the information about Kekkonen's illness put matters into perspective on every side.

Kivisto was pleased with the results of the negotiations considering the circumstances because the taxation issue had not become as strained as had previously seemed possible.

The government decided to save 180 million markka in expenses instead of 130 million markka. The increase in telecommunications fees produces 150 million markka and the increase in the tax of liquid fuels results in 130 million markka. The increase results in a gasoline price increase of 3 to 4 pennies per liter.

A decision was made to increase the state's borrowing by 350 million markka. The reductions in turnover tax of the industries were not changed nor was the allowance for machine and equipment investments changed from 33.3 percent. Small and medium-sized industries were also subsidized by 80 million markka.

The deduction of income from capital which also includes income from rent was increased from 1,700 markka to 2,500 markka. The increase brings 10 million markka to the state.

The tax scales were corrected by 12 percent but through the smaller correction of the work income relief the state saves 200 million markka, through which amount the taxation will then be stretched.

Over a week ago there were two presentations in the government, the Center Party's proposal and the proposal supported by all the other government parties.

The Center Party's proposal was based on the increase of turnover tax by 0.7 percent units. Neither this nor the increase in borrowing by 200 million markks materialized. The expenses were cut by 10 million more markka than Kekkonen had proposed.

The leftists have had to adjust to cutdown of expenses by 180 million markka instead of 100 million markka. The leftists also had to give up the child subsidy payments collected from the employer, for which the employer would have been compensated by an extra decrease in the payments to the workers' retirement funds. The increase in electricity tax was not materialized.

Uusitalo Predicts a Long Life for the Government

The prime minister's substitute, Minister of the Interior Eino Uusitalo, predicted that after settling the budget the government will meet all the requirements to continue through the entire election term until the Riksdag elections of 1983.

According to Uusitalo the reaching of a mutual agreement shows that all the government parties are willing to continue the collaboration. During president Kekkonen's illness Uusitalo handled the prime minister's duties while Koivisto in his turn handles the president's duties.

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PARTIES' LEADERS GIVE VIEWS ON BUDGET, NEGOTIATIONS

Helsinki HELSINGIN SANOMAT in Finnish 12 Sep 81 p 9

[Text] On Friday the leftist chairmen severely criticized their government partner, the Center Party, and above all, chairman Paavo Vayrynen. Chairman Pertti Viinanen (Soc. Dem.) of the Central Federation of Finnish Trade Unions was not thankful to Vayrynen either. Chairman Ilkka Suominen of the opposition party, the Coalition Party, in his turn, criticized all the government parties for the power game. Chairman of the Social Democratic Party, Kalevi Sorsa considered the budget disputes that had taken place during the last few days and exceptionally worthless show. Some satisfaction should be expressed regarding the fact that the show initiated by Kekkibeb;s keadersguo eagerly wants to turn Koivisto into one of their own men. Koivisto's opportunity for at least one month to practice the duties that belong to the president will probably add to the agonies within the leadership of the Center Party, Saarinen believes.

Chairman of the Central Federation of Finnish Trade Unions Pertti Viinanen (Soc. Dem.) complained about Vayrynen's pursuits, which in practice prevent a full correction for inflation on income tax in the budget proposal. Viinanen also assumed that the inflation correction would be granted by the Eduskunta "in the spirit of the income settlement."

If this would not take place, Viinanen was of the opinion that one would have to consider the lowering of the national pension payments in order to avoid the taxation of wage earners to be a burden.

The Coalition Party chairman Ilkka Suominen blamed the entire government. According to him the rapid settling of the budget disputes under the changed circumstances shows that the basis for the political disputes of the last few days was only a political power strategy.

"The revealing of the power struggle in such a serious way gives the citizen the right to ask how seriously the central economic matters are dealt with," said Suominen.

Vayrynen, who was found on Viinanen's list of the accused, also complained that the inflation correction of income tax was incomplete.

Vayrynen, on the other hand, promised that the taxpayers would be compensated in the budget of 1983 for the bargaining made this time.

Chairman Par Stenback of the smallest government party, the Swedish People's Party, stated that his party was very pleased with the settling of the government crisis.

The Coalition Party: Inflationary

The work committee of the Eduskunta group of the Coalition Party hurried on Friday to condemn the government's budget outline as inflationary. The federal expenditures should be further weeded out during the Eduskunta's review according to the Coalition Party. The work committee of the Coalition Party's Eduskunta group also thought that no part of the income tax should become a burden and that productive investments should be completely freed from turnover tax.

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INTERVIEW DISCUSSES GOVERNMENT'S PLANS FOR ECONOMY

Paris L'EXPANSION in French 4 Sep 81 pp 53-58

[An interview with Jacques Delors, minister of economy and finance, by Jean Boissonnat.]

[Text] Continuity and change—this is the impression drawn from a long conversation with Jacques Delors. The new minister of economy and finance wanted to give the readers of L'EXPANSION an in-depth analysis, to go further than merely commenting on a price index or an exchange rate. This is the first time since he took office that he has revealed his strategy. You will see that it is not only "economic" in the strict sense of the term. After diagnosing the crisis, he develops at the same time an economic strategy, a social strategy and, more implicitly, a political strategy.

In economics, Jacques Delors rejects all dogmatism. He borrows what is still good from Keynesianism and what is valid in monetarism. However, to the ideas borrowed from these traditional policies he adds two different tacks: a strengthening of the French industrial fiber, and specific employment measures.

So here is a minister of the economy concerned about the vitality of business and the country's "morale." Although he never says anything about it, everyone knows that Jacques Delors did not see any urgency in implementing a massive program of nationalizations. But he accepts this as a political fact—which he has justified to his satisfaction, and concerning which it is important not to make any mistakes. This explains his particularly convincing and original proposals on what greater participation of workers in French business should mean. In them we find a plan for democratizing the economic and social fiber of life, while at the same time respecting firms' own objectives and the rules of a market economy, which he considers irreplaceable. Some people may judge his proposals on money to be very austere, and his knowledge of man's motivations a bit simplistic.

This Jacques Delors, however, is not really different from the Jacques Delors interviewed by L'EXPANSION in 1972, just after leaving Chaban's office and before joining the socialist family. That's the continuity.

The change is seen more in the man's behavior than in his ideas. Still hypersensitive, in spite of his experience and 56 years of age, he seems to be more determined and able to repress his impulses, so that he may doggedly pursue his work toward objectives that will not change with the whim of circumstances. This determination

seems to be more deeply rooted than in the past. The moodiness is still there, but under control. Jacques Delors leaves his work behind every evening, but resumes his government duties every morning. At heart this man is made for action, to find an effective solution along the way leading to the end goal firmly fixed in his mind. To go a bit further, he is a strategist, an anxious one perhaps, but unvarying.

Jacques Delors sees the head of state regularly to argue personally the most important cases. To businessmen who are counting on him to avoid the pitfalls of this government obsessed with reform, he responds that he is counting on them to understand the needs for solidarity and innovation. When he says that the eighties will be "terrific and exciting" years, it seems to me that he is at the same time defining his own task.

[Question] The elections are over. The new government is in office for a long time to come. Can you define an economic strategy for France? What would it be?

[Answer] The eighties present three challenges to us: energy, as we in Europe are dependent on oil; competition from new arrivals on the international economic scene; and, a new industrial revolution, in which the United States and Japan are ahead of us. To meet these challenges, we are going to have to work hard and innovate, with everything that implies in terms of a political consensus. While the French people made a remarkable effort to modernize and open the country to the outside between 1950 and 1970, they have still not experienced these new years that I call terrific and exciting.

[Question] The French people indeed expended huge efforts between 1950 and 1970, but they were compensated by more abundant fruits than they have ever had before. In the next 10 years, will they have to work just as hard for less?

[Answer] They will have to work just as hard, if they don't want to go backwards. However, they will draw satisfaction of a different sort, because they will see things differently and they will rate their performance differently. Our main political problem is in fact to make them understand this.

[Question] Do you agree with the latest World Bank report which predicts a yearly growth rate in the industrialized countries of from 2 to 2.5 percent in the coming decade?

[Answer] Yes, but other calculations must also be made. For a long time I have wanted social indicators alongside the economic indicators to measure development. This is an idea we are going to look into, together with Michel Rocard, the planning minister, when the next 5-year plan is prepared.

[Question] Some examples of these new indicators?

[Answer] Measuring equality of opportunities, preventive health care, job satisfaction...

[Question] Until these new indicators are set up, what are you going to do so as not to disappoint those who are still calculating in the old style, that is using growth in production?

[Answer] After the 1973-74 oil crisis, two policies were tried out in countries comparable to ours. The first policy, applied mainly in northern Europe was reinforced Keynesianism--a budget deficit and increased social welfare to uphold demand. The results have not been brilliant, although it did make it possible to maintain a high degree of social cohesiveness, as a result of the increased welfare benefits--which is no small thing. Other countries, such as Mrs Thatcher's England, adopted more or less aggressive monetarist policies. These policies are losing ground: unemployment is on the rise and the productive apparatus is weakening. Hence the idea to try out a third line--which would borrow what is good from the experiences of others and add two new factors--until we have a development model that takes on a new, more qualitative shape. What France should borrow from others is first the policy to reduce inequalities, and then liquidity control to prevent price drifts. The two new factors which others are also trying to apply but which we should implement forcefully are direct action on production supply and direct action on employment.

On the first of these two points, I am struck by the decline in the international competitiveness of our industries in 1979 and 1980. We are increasingly falling short of the more advanced European countries and Japan and the United States, particularly with regard to intermediate and consumer goods.

[Question] When you talk about reconquering the domestic market, perhaps this is also a way of returning to protectionism?

[Answer] No. The French economy should be very much a part of the world economy.

[Question] So you are against all forms of protectionism?

[Answer] Yes, but I'm not naive.

[Question] Let's say that you would not be more protectionist than Germany?

[Answer] Not more than Germany or England. The key to all this is agreement on the EEC's common foreign policy. But let's come back to the need for France to implement a supply policy, by promoting research and strengthening firms' own resources. I discovered on taking office that the destruction of our industrial fiber had reached a very serious point. To prevent healthy firms threatened by an unhealthy economic situation from perishing, I expanded access to special cash advances.

[Question] I have noticed that there are not very many takers, since you have limited this access to industrial firms, leaving out commerce and services.

[Answer] The reason is that I have noted that in commerce and services, price freedom has frequently been abused. If demand is slipping, it is because prices are too high.

[Question] The same argument could be applied to the automobile, but it is an industry. Aren't you making the same mistake as the physiocrats who, in the 18th century, say only the land as a source of wealth? Today, you see only industry. Don't services create wealth?

[Answer] It is true that I do not share the ideas of those who are heralding the post-industrial society, or the end of industry. But I do not deny the productive nature of commerce and services. I merely want to break the cycle in which pricing freedom without precaution means price increases. This causes a decline in demand in a soft economy, which in a vicious circle brings on an increase in prices in order to maintain income.

[Question] So your pricing philosophy would be complete freedom for industry and limited freedom for the other sectors?

[Answer] Complete freedom for industry, with the proviso that trusts and monopoly positions would be subject to control. Competition must be strengthened, because it is healthy. This does not mean that there cannot be certain market organizations in distressed industries, such as steel or textiles. No dogmatism, but the general line is a market economy, which is a much better instrument for selection and information than bureaucratic planning. It is only where the market is short-sighted (energy prices, consumer structures, innovations) that planning is needed.

[Question] To help correct firms' short-sightedness, are you going to give them a target or a projected overall growth rate for the French economy in the 2-year plan the government is working on?

[Answer] I don't think so.

[Question] When you prepare the 1982 budget, you have to have a projected growth rate?

[Answer] For 1982, we have the legitimate hope for a growth rate of around 3 percent.

[Question] Do you also have estimates for prices and employment? You mentioned the goal of a return to price increases of 7 to 8 percent in 3 years.

[Answer] That is not a goal, it is an absolute necessity. I don't make stupid wagers. But I reject any way out that would go along with a price increase of 14 or 15 percent.

[Question] How are you going to cut the inflation rate in half in 3 years? Aren't you ruining your only chance to succeed by refusing to practice an incomes policy (for example, by setting a face-value norm for the increase of incomes, without guaranteeing the purchasing power), at a time when the political and social situation would allow you to do so?

[Answer] The expression "incomes policy" frightens people in France. However, there are political possibilities for making a joint effort to bring down the increase in prices and incomes to about 8 percent a year. I don't think that setting a norm is a good method. First prices must be contained, then income earners must be asked to move in step with this slowdown. I do not believe in the simple idea that the huge oil price increases (and the rise of the dollar) must be compensated by a lowered standard of living in consumer countries. This leads to discouragement.

This is a policy which was attempted elsewhere and produced mediocre results. I am told to look at Germany, but the real per capita wages have always increased in that country. Let's beware of the never-ending complications of recession. Even countries

like Germany and Austria, which have shown remarkable performances since the beginning of the crisis, are now having difficulties.

I would add that my price policy has several possible forms: complete freedom, planning followed by action, planning followed by a report, price fixing--that is, price fixing and not freezing, or in other words, we could set a price lower than the current one.

[Question] Do you have "absolute necessity" figures for employment as you do for prices?

[Answer] No. First I want to reverse the trend. In the next few months we are moving inexorably toward increased unemployment. Hence there is a need for direct action in employment just as in production supply, in addition to what may be brought about as a result of the economic upswing. This is the second original element of our strategy I referred to at the start of this interview. Work must be shared by special measures such as reducing working time, voluntary retirement (provided the firm hires an unemployed person for the position), development of part-time work (or more precisely "selected time"), or creation of jobs useful to the community. Regarding reduction of working time, I am sorry--and I hope this won't shock anyone--that a fifth week of paid leave, which will not create any jobs, was chosen over a greater reduction of the length of the work week, which would have created jobs.

[Question] Is 2 million unemployed a limit for you?

[Answer] It will be the limit if we are successful.

[Question] The public sector (including welfare institutions) had a surplus of 10 billion francs in 1980. It will have a deficit of the order of 120 to 150 billion by 1982, while our partners are making efforts in the opposite direction. Doesn't that leave you hanging on a limb?

[Answer] First of all I would like to say that there is no reason to be proud of the 1980 surplus. It helped weaken our economy. In 1982, the overall deficit--about 2.5 percent of the gross domestic product--will be less than that of most of our partners. It can be partly explained by the fact that the 1982 income tax will be levied on 1981 income, which showed a slight increase. That should change in 1983 if there is a larger increase in 1982. Moreover, we will be careful about money and credit.

[Question] Are you going to announce a norm for the growth in the money supply in 1982?

[Answer] Of course. But for the time being, I have to let business respond to a renewed demand, which is now growing at an annual rate of 4 to 5 percent.

[Question] Will you be able to keep the government budget deficit under 100 billion in 1982?

[Answer] Everything will depend on revenue during the year. If we need several billion more to assist firms, we will finance it by long-term borrowing.

[Question] Could you finance a deficit of that size by borrowing? That's never been done before.

[Answer] A deficit of that size is tolerable for 1 or 2 years, with no problems. Then it has to be brought down.

[Question] You have always favored a selective policy for social benefits. In other words, some benefits should be reserved for the lowest income group. When you were working with Chaban, you abolished the single salary allowance for office workers, even middle-level executives.

[Answer] I am in fact in favor of selectivity, but after negotiations with the parties concerned. There is no question of white-collar workers becoming our "patsies." France needs all its workers, including the white-collar workers.

[Question] You have argued for a transfer to taxpayers of part of the welfare costs currently paid by firms.

[Answer] This must be done. But it's impossible to do this right away, as large amounts, of the order of 40 to 80 billion francs, would have to be transferred to the government budget. In the meantime, I am in favor of small payments to attenuate the cost of new jobs for firms.

[Question] The day you tackle the transfer of this 40 or 80 billion, in what categories of taxes do you intend to find this money?

[Answer] We'll have to take a close look at that. It's said that the French do not pay enough income taxes, but in reality, if you add social security payments to these taxes, you can see that they already pay quite a bit. So I would not rule out an increase in indirect taxes.

[Question] Including fuel taxes?

[Answer] Yes, although we also have to be careful about prices. It's a question of degree.

[Question] The president recently said that business executives should not be the "scapegoats" for our problems. However, they have not been spared these last few months.

[Answer] Business executives must understand that there has just been a sudden political change in France. That does not happen without a certain amount of trauma, on the one hand, or without a lot of speeches, and sometimes rather empty ones, on the other.

However, it is impossible to have a sound economy without businesses that are alive. This implies right off that a business executive has the right to err. Otherwise how could you ask him to take risks? A minister also has the right to err. We have to remove from our legislation the idea that ordinary bankruptcy is something fraudulent. Moreover, in nationalizing banks, two principles will be observed: the customer may freely choose his bank; and, if the bank refuses to grant him a loan, he can go

to another bank, which is entitled to give him what the first one refused. When banks are fully nationalized, I will again come on the scene to reform banking practices. I particularly want to change things so that when a bank grants a loan, it does not always prefer real property as collateral to taking risks in expansion and to overall working credit.

[Question] Will people have the right--and the possibility--to make a fortune in France?

[Answer] In a democratic socialist society, there is something that becomes increasingly impossible to do, and that is to accumulate, at the expense of others, a stake in your work, limitless wealth, and social status. This sort of "privileged society" is excessive, in contrast with the inequalities of work, income and prestige. This is not our model of society. I may as well be frank. Otherwise, why should we opt for democratic socialism in France?

[Question] Everyone has his own driving force. For some, especially corporate executives, it is money. Is this now considered a fault?

[Answer] The French model will not be the same as the American model.

[Question] There are very wealthy people in democratic socialist countries.

[Answer] Yes, but they pay a lot of taxes. It is not a question of preventing people from earning money, but then they must contribute to the solidarity effort in proportion to their means. For me, who no longer has any dependent children, part of my income is in the 60 percent tax bracket. I am not crying over my income tax return every day. I pay and I still consider myself to be privileged.

[Question] The current rate of the incidence of taxes and social security on total national income is 42 percent. Is this going to increase?

[Answer] We may hit a high point of 44 percent, but then we will have to come back down to 42 percent.

[Question] Business is also handicapped by high interest rates. You have suggested that we should uncouple European rates from American rates. The president of the Federal Bank of Germany, Mr Pohl--a socialist himself--has just told you that it was not realistic.

[Answer] Mr Pohl talks a lot. If he felt my proposals were unrealistic, that's his right. In passing, he used the opportunity to put down the European Monetary System, which surprises me. You might ask yourself at what point do you go from independent thinking to disdain for basic solidarity. My proposal is simple: Europe must be strengthened around the EMS.

It is no accident that Mr Gaston Thorn, president of the Brussels Commission, is in favor of my proposals.

[Question] If you are unable to uncouple the European rates from the American rates, do you plan to separate domestic interest rates, paid by the French people, from external rates used to support the franc?

[Answer] This is an extremely complex issue currently under study. You cannot have a sharp price increase and low interest rates. Moreover, the short-term rates are not business' main obstacle to development. If we are able to lower the rates a little further and increase interest subsidies, we will be helping business.

[Question] Is it possible that the franc-mark exchange rate will remain the same with a rate of inflation two to three times higher in France than in Germany?

[Answer] A currency's exchange rate does not depend solely on the parity of purchasing power. It is also based on the foreign deficit and domestic and foreign political factors. It is this series of factors I have in mind every day when I observe what is happening on exchange markets, and it is on the basis of all these factors that I will make the necessary decisions. At the present time, it is these considerations that have led me to give priority to defending the franc.

[Question] During a previous interview with L'EXPANSION in September 1972, you said: "If you nationalize because you feel that economic power is encroaching too much on political power and by so doing you will make sure that those holding the economic power do not colonize the political power, then this is a subject that I am willing to discuss. But if nationalization is done to respond to men's need to participate in building their work, then I say that this is not a proper answer to a real question. In this sense, it is really the idea of self-management that is being proposed." Would you still say this today?

[Answer] Absolutely. Nationalization is the fruit of the political history of France and the consequence of the constant refusal of those who monopolize power to share it. Nationalization also has operational reasons, to the extent that the thinking of each group, added together, does not correspond to the general thinking of the economy.

However, as regards workers' access to economic citizenry, this must be accomplished by negotiation and social experimentation in both the public and the private sector. In all cases a principle must be respected. I would express it in these terms. There are three different lines in a firm: the management line, the labor union line, and the administration line. Any confusion between these three lines runs counter to a firm's biology. The management line comprises the leaders chosen by the shareholders or by the government. They are responsible for inventing, innovating and indicating the main policy lines and for enforcing their implementation. In Germany, workers' representatives participate in this function: this is co-management. They in turn make workers accept the main strategic choices of the firm. In France, no labor union wants a system like this. In the same vein, if you want to have veto power over dismissals, you will have to accept responsibility for promoting the firm's strategy vis-a-vis the workers or for proposing another one. If you reject this responsibility, you cannot claim veto power, which is a kind of co-determination. So the management line is assured.

Then there is the labor line. This is where the shoe pinches in France. In 1968 labor union sections were created in companies. They were to effectively negotiate real wages, employment and training policy, and the general policy for workers' participation in the shop and in the office. The company committee should also see its advisory role improved. But it is the labor section which is to negotiate. This would represent decisive progress in both the private and the public sector. And this is the main area where we are behind more advanced economies.

Finally, there is the administration line, which is concerned with the day-to-day operation of the firm. Can't the worker in the shop or in the office give his views of the organization of work, for example? To me that is self-management. The general work policies in the shop or in independent offices should be determined by negotiation with the labor section, with the active participation of management.

[Question] In nationalized firms, should there be a government controller, personnel rules and regulations, and a priority for buying from them?

[Answer] The model should be Renault. Thus no government controller and no personnel rules and regulations (at least this is my own wish--to see dynamic and innovative collective agreements). In addition, there would be a program contract between the firm and the shareholder, the government. For instance, next year we are going to make a sizable capital grant to Renault, as part of its 5-year program.

[Question] Who will be responsible for the nationalized sector, the Treasury or the Ministry of Industry?

[Answer] The civil war between our departments is over! We are going to collaborate closely. The Ministry of Industry will be in charge.

As for your question on government firms' orders, let's not be naive. Look at other countries. Everyone defends himself as best he can. So there is no single answer to that question.

[Question] Can you give me your personal opinion on four specific questions: capital punishment, breeder reactors, the neutron bomb and prohibition of dismissals without prior regrading?

[Answer] On the last point, I am not in favor of prohibiting dismissals without prior regrading, provided there is a contractual policy for employment and welfare in firms in difficulty.

As for breeder reactors, I am waiting for specific studies on risks. We cannot do without nuclear power, but we have to use it rationally.

I am opposed to anything that would make us assume serious risks from a genetic standpoint.

Finally, I am against the death penalty and the neutron bomb.

[Question] You have a high rating in the surveys. There are precedents: when Giscard d'Estaing held this office, it was said that his popularity grew at a rate four times the rise in prices! Therefore, you could find yourself in a few years in a position of a presidential candidate. Do you reject this possibility right away or would you leave the question open?

[Answer] My problem is simple. Frequently people consider me gruff and straightforward in stating my positions. I want the current experiment to succeed. Whenever I believe that we are on the right track, I say so, without worrying about my political future or reputation, within either my party or the government. If high ratings in public opinion surveys help me to succeed in my endeavors, then I would be pleased. Full stop.

STATUS OF ECONOMY ANALYZED

Athens BUSINESS & FINANCE in English No 158, 5 Sep 81 pp 43-44

[Article by Nicolas-Marios Karangelis]

[Text] The Drachma vs Foreign Currencies and Precious Metals

The exchange rate of the drachma with foreign currencies, is disappointing, when the facts, and not the forecasts and the wishful thinking of our economists are taken into consideration. Despite considerable efforts in the past, the drachma has not been, and will never be, accepted as an international currency. This fact can be attributed to many and various reasons.

However, looking at the development of the drachma over the last decades, it can be seen that it was in fact stronger in the past than it is today. Only two years ago, US \$ 1 was worth 30 drachmas, and £ 1 was worth 80 drachmas. Today, things are different, and unfortunately we are witnessing a daily devaluation of the drachma against all other European

currencies, and particularly against the US \$. The dollar is rising rapidly, and this has adverse effects not only on the drachma but on all other currencies. Nor should we forget the high US interest rates, and the consequences of these on trade and shipping.

The devaluation of the various currencies against the US \$ is a clear indication of the strong position of the dollar. The spectacular phenomenon of high American interest rates has also resulted in the devaluation of goods and currencies during the period that interest rates climbed to the heights. The American interest rates also attracted capital in precious metals (gold, silver, copper), or other money capital into dollar deposits.

The Economy

1981 has been the year in which all the ordinary economic rules were terribly distorted by inflation. Besides, it was difficult to make forecasts at the beginning of the year in order to cope with the problems of the future.

Greece's accession to the EC caused an amount of justified confusion in business circles, and a need on the government's part to take immediate appropriate measures to readjust Greek

laws to the corresponding European ones.

Unfortunately, high inflationary pressures caused a recession in the economic activity of many Greek enterprises. It is also a fact that the Greek economy, like many European economies, is suffering from today's international problems, - minimum profits in industry, labour cost increases, great export difficulties, and in particular, slackening of investments. Large deficits in the public sector should also be taken into consideration.

Inflation

1980 and 1981 have both been difficult years for the Greek and world economies, as inflation is the problem of the present time. Continuous rises in the price of oil and many raw materials have been the two basic factors in the disruption of international trade, and the transactions between countries. Inflation started to climb, causing great difficulties for the Greek economy.

Its international acceleration is now a well-known fact. Greece's dependence on imports badly affected the Greek economy, always sensitive to increases in world prices, and caused inflation to climb to dangerous heights. In these difficult times, shipping and emigrant remittances have played an important role in helping the Greek economy.

The government has implemented a strong anti-inflation policy, which has been in force for a year, but international circumstances have contributed to the continuing rise of inflation in Greece, (reaching 22%), and as a result there has

been constant price increases of goods, salaries and services, interest rates, and productivity.

Unemployment

Unemployment continues to be one of the worst social problems to plague a country, and is today present in most of the industrially developed countries. Greece has managed to avoid this problem, and kept unemployment minimal, in contrast to the other EC member-states and the USA.

Greece has today only a very low unemployment percentage, and it is hoped that the higher 1981 investment programme will obstruct any rise in unemployment, and the normal operation of the market forces will absorb more unemployed persons, and bring the existing unemployment to even lower levels.

Balance of Payments

Greece's foreign transactions have been deeply affected by the continuous rise in the price of petroleum. Oil makes up the greater part of state imports, and billions of dollars are spent on its purchase.

Exports fell considerably, and the flow of invisibles was curbed. However, shipping helped considerably, despite the overall drop in world trade. Consideration of the following measures could probably help the balance of payments:

1. The exploitation of domestic energy sources, in order to enable the Greek economy to cope with the energy problem in the coming years
2. Increasing the rate of exports, and offering considerable assistance to the exporters, in view of the drop in exports last year. Consideration must be given to the devaluation of the drachma, which lowers the cost of Greek products, and makes them more competitive.
3. The National Tourist Organisation of Greece should continue its remarkable

efforts to promote and advertise the Greek islands, so that even more foreign exchange from tourism flows into the country in the future.

4. In the invisibles sector, emigrant remittances should be increased by offering more information, and attractive grants to interested parties.

5. Although foreign exchange earnings from shipping were negatively affected by the overall drop in world trade, Greek shipowners displayed their true calibre, remained unaffected by this drop, and increased the flow of foreign exchange satisfactory.

It is my belief that if these measures are brought into effect, the deficit of the balance of payments will be considerably diminished. There is encouragement and optimism to be found in the fact that all foreign money markets are interested in investing in and lending money to Greece under very favourable terms. This is an indication of world confidence in the future of the Greek economy.

Investment

High inflation rates created an unstable economic climate, which of course affected investments, and particularly industrial investments. Stagnation in investments is a feature of the Greek economy, in spite of the government's efforts for rapid industrial development, with emphasis on investments.

Speeding-up of production requires plenty of capital investment, through the flow of foreign investments, and with the enactment of strong investment incentives, in the form of free grants from the E.C. as well as domestic investments, in the form of bank credits, or self-financing from profits.

Inflation and taxation together absorbed a great part of industrial profits, which could have been used as capital for further development, - expansion of installations, modernisations of equipment, etc. If the cost of living readjustment of amortisations were promptly foreseen, and the other necessary measures taken, then capital which would have

been saved perhaps without any other tax incentives would create the "golden alash" for the proper prerequisites on investments.

If stronger incentives were given for the re-investment of profits, readjustment of the existing system of taxing amortisations, which as a cost element is deducted from taxable revenues, and which all other EC member-states apply, the complete liberalisation of the Greek banking system, then investments would, I believe, be greatly favoured.

Naturally, appropriate investment on the part of the State in the energy and transportation sectors would be of immense help. There must be an immediate change in the system that allows bureaucratic delays to causes a preference among investors for short-term programmes, rather than investment in fixed assets with long-term prospects.

A thorough study of further improvements required in the agricultural and manufacturing sectors would also be useful.

SURVEY OF TOURIST TRAFFIC, STATISTICS REPORTED

Athens BUSINESS & FINANCE in English No 158, 5 Sep 81 pp 36-37

[Text]

Travelling along the Mediterranean coasts in July or August, one is brought face to face with the phenomenon known as international tourism. Thousands and thousands of people are crowded into the beautiful beaches, enjoying the sun and the sea in search of relief from the stress of their work and daily life in the large urban centres. Travel, and holidays, have become an undeniable right of modern man. It is not strange then that tourism is today considered one of the world's biggest industries.

The development of tourism over the last two decades has been tremendous. Europe, with its incomparable beauties and culture holds first position in international tourism. Europe attracts 72.6% of the total number of tourists from all over the world, and absorbs 66.7% of the total tourist revenues. And the prospects for the future are optimistic. Specialists of the United Nations expect that until 1985, the north-western Mediterranean will receive 33 million tourists every year, and Mr Timothy Driscoll, Director of the European Commission for Tourism, expects that by 1990, inter-European tourism will have at least doubled. Undoubtedly, despite the economic recession and the energy crisis, tourism is a branch of the economy that is constantly developing.

Today, the tourist sector employs 22 million Europeans, and by 1990, it will employ 30 million. Furthermore, tourism has become an important contributing factor to the countries' balance of payments. For Spain and Greece in this

respect, tourism is a necessity. Tourism contributed to a surplus in the French balance of payments, and at the same time also played a role in the formation of the German deficit. In 1979, tourist exchange revenues made up 21.6% of the export of goods and services in Spain, 20.80% in Greece, 8.6% in Italy, and 4.5% in France.

According to an OECD draft report to be published in September, the total income from tourism for the member-states in 1979 and 1980, showed a very slight increase. Tourist traffic was slow during the first five months of 1981, the report stresses. Only Greece, Norway, the USA and Yugoslavia recorded a rise in the number of tourists visiting these countries.

1980 arrivals in the OECD countries owed an increase of 8% over 1979, and an increase of 2.3% over the international increase, which in 1980 was 5.6% higher than in 1979. In 1980, tourist earnings at current prices amounted to \$ 72 billion, and the expenditures to \$ 76 billion – an increase of 15% over 1979. In 'real' prices, the increase in the OECD countries was only 2%, and 1% for Europe. Apart from this, the increase in tourist expenditures was 1% greater than the other consumer expenditures. The corresponding difference between the increase number of tourists (8%) and that of tourist expenditures (2%) can be attributed to the oil crisis, which caused an increase in car travel, intended to reduce the daily expenditures of vacations, and shorten their duration.

However, Greek tourism presents a very different picture. Arrivals in 1980 (5,271,115) were 9.1% lower than in 1979, but despite this, earnings for 1980 totalled \$ 1.78 billion, which was an increase of 7.5% over 1979 (\$ 1.66 billion). Per capita expenditures also increased, from \$ 318 in 1979 to \$ 373 in 1980. This indicates that more of the tourists who visited Greece in 1980 were from the higher income brackets, and that tourists from the middle and lower income brackets did not travel as extensively in 1980 as in 1979. Considering the countries of origin of the tourists, a decrease in the number of tourists from the USA was noted worldwide: Iceland -34%, Ireland -13%, Holland -7.2%, Norway -7%, Portugal -13.4%, Spain -8.2%, and Greece -52%.

In Greece there was an increase in the number of tourists from Great Britain (37.3%), Holland (25.7%), West Germany (24.8%), Austria (23.6%) and various other countries. For 1981, the net national product for the OECD countries is expected to increase by 1.85%, the consumption expenditures by 1.4%, and inflation to fall to the level of 9.5% (from 11.5%). If unemployment remains at the level of 6.5% or if it increases only slightly, then international tourist travel is expected to be greater than in 1980.

During the 41st Conference of the Commission for Tourism in Paris (1st-3rd July 1981), it was anticipated that revenues from tourism would increase by 1% in 1981. More American tourists are expected to visit Europe in 1981, mainly because of the increased value of the dollar. In Greece, it is expected that there will be an increase of between 10 and 15% in the arrivals of American tourists compared to 1980. The Japanese market is also showing an improvement this year, despite the increased airfares. For Greece, this increase is expected to be between 5 and 10%.

On the other hand, the Canadian market is showing a fall, while there are more tourists from the upper income brackets in South America expected to visit Europe in 1981.

Total number of tourists and exchange from tourism (in thous. of dollars)

Year	Tourists	Exchange
1956	210,301	31,124
1957	261,738	41,474
1958	276,534	36,195
1959	339,802	41,667
1960	399,438	49,260
1961	494,191	62,469
1962	597,924	75,986
1963	741,193	95,413
1964	757,495	90,880
1965	975,125	107,57
1966	1,131,730	143,458
1967	996,473	126,768
1968	1,017,621	120,263
1969	1,305,951	149,470
1970	1,609,210	193,556
1971	2,257,994	305,299
1972	2,731,587	392,700
1973	3,177,682	514,872
1974	2,188,304	435,989
1975	3,172,986	621,342
1976	4,243,563	823,665
1977	4,461,084	980,597
1978	5,081,933	1,326,301
1979	5,798,360	1,622,000
1980	5,271,115	1,787,000

1981 PROSPECTS GOOD

In the six-month period from January to June, 2,108,397 foreign tourists arrived in Greece, compared to 1,983,872 in the same time-period in 1980. This represents an increase of 6.3%. For the month of June alone, the increase was 10.2% (651,522 tourists compared to 591,242 in June 1980).

In the first six months of 1981, tourist exchange reached 623 million dollars, instead of 613 million in the first six months of 1980. This represents an increase of 1.6%, which is in fact due

more to the impressive rise of the dollar against the drachma. In June, revenues reached 190 million dollars compared to 177 million in June 1980 (7.3% increase). Leading arrivals in June were the British

(23.9% of the total) followed by the Germans (13.6%), Yugoslavians (9.2%), Americans (6.8%), Swedish (6%), French (1.7%) and the Austrians (3.5%).

This increase in tourist arrivals – according to the statistics of the tourist movement from the main points of entry to the country, which represent 73% of the total tourist movement – continued through July (10%) and August (first ten days) with an increase of 3.1%.

In July, entry through these main entry points (airports of Hellinikon, Irakleion, Corfu, Rhodes, and the Evzonon border post) was effected by 750,011 tourists, compared to 681,799 in the same period in 1980. From 1st to 9th August, through the same entry points 277,013 arrived, compared to 268,566. This increase in numbers has been accompanied by a corresponding increase in exchange revenues.

Tourists arrivals by country of origin (1980)

EUROPE

Austria	187,312
Belgium	70,124
Bulgaria	36,911
France	299,791
West Germany	692,961
Yugoslavia	477,393
Denmark	130,684
Switzerland	154,696
Great Britain	768,215
Ireland	19,061
Spain	32,906
Italy	197,006
Cyprus	81,346
Norway	88,772
Holland	179,842
Hungary	28,008
Poland	37,732
Portugal	4,919
Rumania	11,991
Sweden	235,592
Czechoslovakia	10,974
Finland	73,641
Others	8,412

TOTAL 3,834,289

ASIA

Japan	75,666
Israel	31,278
Lebanon & Syria	43,588
Turkey	47,590
Iran	16,677
Others	85,962

TOTAL 300,761

Tourist arrivals in Greece – according to country of origin. (January - June 1981)

Great Britain	365,648
Germany	251,163
Yugoslavia	176,507
USA	146,290
France	105,198
Sweden	103,815
Italy	68,127
Holland	64,177
Austria	54,087
Switzerland	52,784
Australia	49,672
Denmark	48,122
Finland	42,164
Cyprus	41,313

A further 190,574 tourists also arrived on cruise ships.

Europeans on holiday – departures for holiday as a percentage of the total population.

Sweden (1976)	78.9%
Switzerland (1978)	73.9%
Great Britain (1977)	60.6%
Holland (1978)	57.2%
Germany (1978)	56.2%
France (1978)	54.3%
Belgium (1976)	47.2%

Tourist arrivals by means of transport

	1979	1980
By air	3,515,871	3,243,213
(Hellinikon)	2,424,349	1,824,620
By train	134,361	167,358
By sea	531,436	535,317
Cruise passenger arrivals	565,387	475,215
<i>Total</i>	<i>5,798,360</i>	<i>5,271,115</i>

AFRICA

Egypt-Sudan	50,067
South Africa	24,721
Other	31,879
<i>TOTAL</i>	<i>106,667</i>

NORTH & SOUTH AMERICA

Argentina	15,365
Brazil	11,285
Mexico	7,448
USA	288,647
Canada	72,441
Others	15,490
<i>TOTAL</i>	<i>410,676</i>

OCEANIA

Australia	110,609
Others	21,764
<i>TOTAL</i>	<i>132,373</i>

USSR	8,298
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UNSPECIFIED NATIONALITY	2,836
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<i>GRAND TOTAL</i>	<i>4,795,900</i>
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CSO: 4600/38

CANAL, SUPERHIGHWAY SAID TO THREATEN TRANSPORT IN SOUTH

Bari LA GAZZETTA DEL MEZZOGIORNA in Italian 6 Sep 81 p 5

[Interview with Antonio Cariglia, member of EEC's transportation committee, on the construction of the Rhine-Danube canal and Austrian-Yugoslavian-Greek superhighway, by Gianni Sollitto; date and place not given]

[Text] We asked the Honorable Antonio Cariglia, European parliamentarian and member of EEC's transportation committee, a number of questions about the sector with which he is concerned, particularly about the eventual and possible potentials of Apulia's commercial distribution network. Here is the text of the interview.

[Question] Honorable Cariglia, how does the problem of European commercial traffic networks compare with other areas?

[Answer] I believe that we must evaluate two important initiatives presently underway. The first is that of the Rhine-Danube canal, and the other concerns the widening and doubling of the Suez Canal. These two projects have a single objective: to convey goods destined for Mediterranean and Eastern ports at lower transportation costs and face up to the saturation of the ports of northern Europe. In face of these two sizable initiatives, there are serious and foreseeable problems: That of the awakening of the subcontinent of India and eastern Africa; the strategic role of the Middle East; Japan's industrial potential; fitting about a billion Chinese into the world market; and the growth of the Pacific area.

[Question] What must Europe, the world's largest commercial potential, do to meet the competition of the other continents?

[Answer] In my opinion, Europe must face up to the transportation problem rapidly and in an organized manner to reduce the time and cost of transporting goods to the East. But it must also foresee the birth of a new concentration of industrial development in less congested areas of the Mediterranean. A similar situation has already occurred in the United States where the old industrial concentration of the Atlantic is now offset by an industrial concentration located on the coast of California. Here there have been important developments in the space and computer sectors as well as in others, all industries of the future.

[Question] Here, then, errors have not been committed such as those we made with regard to the industrialization of southern Italy.

[Answer] Certainly. The error committed by the Italian authorities was that of establishing a competitive industry in the south like that already underway in northern Italy and promoting the rise of industries of the future which are calmly looking toward the year 2000.

[Question] How can transportation be developed in southern Europe and subsequently in Italy?

[Answer] Here we are running a risk. In fact, our nation risks being cut off by two sizable initiatives. One is the Rhine-Danube canal which I have already mentioned; this would cut off the entire Italian peninsula; the other is the construction of a superhighway which the EEC has already pledged to finance and which will go from Austria through Yugoslavia and end up at the port of Salonika. There is no doubt that in carrying out these two projects it will be difficult to see the well-known freight-container trucks still operate via the highways of the Adriatic coast to be taken aboard ship at Brindisi for the Middle East. This is not to mention the risks our country runs for the same reason with regard to tourist traffic.

[Question] Honorable Cariglia, the Friuli-Venice-Julia area is preparing a plan for transporting goods to the East with the use of "roll-on, roll-off" ferries which would enable motor vehicles to board and disembark from either the fore or aft decks of the vessel, this arrangement to be used at the port of Trieste. What is your opinion of that initiative?

[Answer] I think this study is based on false premises. I consider it extremely risky to think there can be a large volume of traffic between central Europe and Greece. That would only serve to make Greece a large transit base for traffic going elsewhere, thus toward the East.

[Question] What is to be done then?

[Answer] It is difficult to imagine that Italy, this great wharf extending into the Mediterranean, can remain almost a deserted quay. It behooves us to come up with a plan for major port infrastructures and a joint network of highway and railway transportation.

[Question] Then, Apulia should turn its sights in that direction?

[Answer] In my opinion, Apulia should take the initiative because it has most at stake among the coastal regions of the Adriatic. The port system which may be established between the gulf of Manfredonia and Taranto is a long-range affair, especially if we consider the low-lying areas near the present ports and those which may emerge along the Apulian coast. I believe that Apulia should take the initiative with regard to a conference on maritime port traffic on the Adriatic because, I repeat, it has the most at stake in a commercial approach centered on the use of the Mediterranean basin. It can do so because the EEC has substantial resources available precisely to promote commercial development. I believe this is an opportunity which should not be permitted to escape. At whatever cost.

COUNTRY'S INTERNATIONAL FINANCIAL STANDING SAID TO IMPROVE

London 8 DAYS in English 19 Sep 81 p 46

[Text] A one-year loan of \$100m to Turkey by a syndicate of Arab banks shows that the country's credit is once more considered viable. Turkey's improving economy is now giving it a chance to win back regular access to international capital markets, so long denied because of its bad debts.

TURKEY has at last managed to raise funds from abroad on internationally competitive terms, after three years of wandering in the financial wilderness.

The Central Bank of Turkey raised \$100m from a syndicate of Arab banks in a deal signed mid-July. However, full details have only just become available. They show that, in a modest way, lenders are now prepared to accept Turkey as a risk.

The loan marks a great step forward in Turkey's balance of payments position. Until very recently, Turkey shared an unenviable reputation with such countries as Zaire which are perpetually rescheduling their debts to foreign creditors. 'Rescheduling' means agreeing to longer repayment periods and delays in interest payments, in order to avoid the catastrophe of outright default on foreign debt.

Default has a number of unpleasant consequences, the most direct being the financial loss suffered by the lenders. Another consequence is a marked reluctance on the part of other lenders to contemplate investment in the defaulting country. But the real sting is that failure to repay any one loan triggers off legal provisions in other loans.

These provisions state that if a country defaults on one loan the lenders in other loans have the right to claim back their funds immediately. This is known as a cross-default clause, and is a provision found in virtually all syndicated bank lending agreements. To avoid this, creditor foreign banks will often go to great lengths to achieve some compromise that prevents default, even though it may mean much lower returns on their investment and an unexpectedly long time before their capital

funds are returned.

The loan arranged by the central bank confirms that Turkey is now emerging from its financial exile, although the terms still fall short of the standard internationally syndicated loan. It is effectively secured on tobacco exports, and is more in the nature of a medium-term trade financing agreement than a long-term investment in the country. Its maturity, one year, is a long way short of the typical maturity for international lending — even the more shaky Third World economies can get at least five-year money, and more often eight- to ten-year money.

The full terms of the \$100m loan provide for an interest rate of 1 per cent over Libor for the first six months of the agreement and of 1½ per cent for the second six. As lead manager, the Libyan Arab Foreign Bank provided the largest individual contribution (\$20m), followed by Banque Intercontinentale Arabe (which acted as paying agent) and the Arab Bank for Investment and Foreign Trade, each of which provided \$15m.

The next largest participations were by the Arab Banking Corporation (\$14m), the Arab Libyan Tunisian Bank (\$8m) and the Arab Turkish Bank (\$8m), which also acted as agent. The final \$20m was shared equally by the Arab International Bank, Banco Arabe Espanol, Kuwait Foreign Trading Contracting and Investment Company, and the Union de Banques Arabes et Francaises. All banks in the deal shared a ½ per cent participation fee.

Now that short-term trade finance has been successfully arranged, Turkey's next step in obtaining funds from abroad is likely

to be tapping the standard syndicated loan market. S.G. Warburg, Kuhn Loeb Lehman Brothers and Lazard Frères, the merchant banks which specialise in advising borrower countries in their relations with the IMF, the World Bank and the regional development banks, are expected to assist Turkey in obtaining long-term capital, initially through further credit arrangements with the IMF.

Normally an understanding with the IMF is essential before commercial lenders will consider venturing their own funds. Turkey is already following the terms of a three-year standby agreement with the IMF which is releasing \$1½bn in tranches, depending on whether the economy meets successive performance targets agreed upon with the Fund.

Success in meeting these targets will ultimately determine whether Turkey will win back regular access to the international capital markets. The expertise of its advisory merchant banks will help, but the bottom line, as American bankers are fond of phrasing it, will be how the Turkish economy performs.

Perhaps the most interesting aspect of the central bank's latest borrowing is the fact that it was raised from an all-Arab bank syndicate. A number of other Arab bank syndications have been arranged in the markets in the last few weeks, and not only to Middle Eastern countries — a \$25m syndication was put together for Uniao Bancos Brasileiros, for example. The large number of all-Arab syndications this year is the first real sign of a larger share of the international credit markets accruing to Arab banks.

FOREIGNERS INVITED TO INVEST IN MINING SECTOR

London 8 DAYS in English 19 Sep 81 p 45

[Text]

ETIBANK, the state-owned Turkish bank and mining company, has announced that it wants to engage in joint ventures with foreign and Turkish private companies to extract and refine minerals in Turkey.

This would be a radical departure for Turkey, where the mining sector has traditionally been closed to foreign investors. The move has been made possible by the government's open-door policy for foreign capital, which started in January last year.

Dr Erdemir Karakas, executive president of Etibank, has said that the company sent invitations to about 100 foreign companies and 22 Turkish companies. The invitations covered eight projects, with total investment of around \$1bn.

The largest is a project calling for investment of \$750m in an aluminium mine, which would produce 250,000 tonnes of alumina and 120,000 tonnes of aluminium a year. Two copper projects would involve investment of around \$100m. Other smaller projects concern marble, perlite, volcanic tufas and pumice.

Karakas said that the response from foreign companies in the US, Britain, Belgium, France and Germany was 'generally positive.' Invitations had not been sent to Eastern bloc countries, but some offers, including one from Romania, had been received.

Etibank's letter to the foreign companies contains a list of conditions. It explains that the foreign capital participation ratio cannot be less than 10 per cent or more than 49 per cent. The minimum level of foreign capital participation will be \$1m.

Foreign companies which intend to participate in the corporations to be set up should be able to provide loans for the external financing of projects. The foreign concerns will be able to repatriate their share of the yearly profit at current world-market prices of the products and semi-products.

The corporations will be responsible for the domestic and international marketing of the products as well as mining and refining. Karakas said Etibank would be willing to hold minority equity.

CSO: 4600/28

PREELECTION POLL SHOWS LOSSES FOR RULING PARTIES

Brussels LA LIBRE BELGIQUE in French 29 Sep 81 p 3

[Text] As a French-language newspaper exclusive, we are publishing the first preelection poll today. It was conducted by ICSOP in Wallonia and Flanders from 14 to 26 September 1981; a total of 1,084 Walloons and 1,022 Flemings 18 years of age and above were polled.

The first thing to note is the large number of undecided voters: 30 percent in Wallonia and 26 percent in Flanders but among these undecided voters, 83 percent in Wallonia and 78 percent in Flanders planned to cast blank ballots. This amounts to 20 to 25 percent blank ballots, which shows, if need be, the indifference of a large number of people about the evolution of events.

Thus, as you will read, the outgoing coalition of socialists and christian-socialists has been "punished" in the north and the south, but more so in Wallonia (-9 percent of the total) than in Flanders (-3.5 percent). The liberals gained (2.2 percent in each region) as did the UDRT [Democratic Union for Respect of Labor] whose standing is clearly higher in Wallonia than in Flanders (where the RAD [Respect for Labor and Democracy] did not obtain more than 1 percent of the vote). The ecologists were more active in Wallonia.

Wallonia: 12 Percent for New Parties

	1978 Legislative Elections %	June 1981 ICSOP Poll %	September 1981 ICSOP Poll %
PS [Socialist Party]	36.7	32.8	32.6
PSC [Christian Social Party]	26.9	22.2	21.8
PRL [Liberal Reform Party]	16.7	16.5	17.9
RW [Walloon Rally]	9.3	7.2	7.0
Ecolos	-	7.0	5.9
UDRT	1.3	6.1	6.0
PCB [Belgian Communists]	5.8	4.5	5.9
Others	3.3	3.7	2.9

There has been a definite drop in socialist popularity (-4.1 percent), an even greater drop for the christian-socialists (-5.1 percent) while the Walloon Rally lost 2.3 percent. This all helped the PRL (+2.2 percent) and especially the UDRT (+4.7 percent) and ecologists (+5.9 percent). These two new parties garnered 12 percent of the hypothetical votes cast although neither obtained 10 percent which makes a party politically important and useful in government. If we add UDRT and ecologist votes with the blank ballots, it appears that almost 40 percent of the Walloons reject the traditional political groups.

Flanders: No Breakthrough for Newcomers

	1978 Legislative Elections	September 1980 ICSOP Poll	June 1981 ICSOP Poll	September 1981 ICSOP Poll
	%	%	%	%
SP [Socialist Party]	21.4	20.3	20.8	20.5
CVP [Christian People's Party]	43.8	39.6	40.7	41.3
PVV [Party of Peace and Progress]	17.2	17.9	19.3	19.4
VU [Volksunie]	11.3	12.8	12.3	12.3
BKP [Belgian Communist Party]	1.9	2.7	1.8	1.6
VI Blok [Flemish Block]	2.1	3.2	-	-
RAD	-	-	1.0	1.0
Others	2.2	3.5	4.2	3.9

Flanders had fewer electoral upsets than Wallonia. The outgoing coalition also lost votes but in a smaller proportion than brother parties in the south: -2.5 percent for the CVP, -0.9 percent for the SP. The PVV gained the most with +2.2 percent. The Volksunie gained an additional one percent. The new parties made no breakthrough; the RAD, the Dutch-language version of the UDRT, only gained one percent of the vote which would not give it a Dutch-speaking member of parliament.

9479

CSO: 3100/30

IFOP ANALYZES CANDIDATES IMAGES; NEW, PS, GISCARDIAN VOTERS

Paris LE MONDE in French 23-24 Aug 81 p 4

[Summary of article from IFOP publication QUOI?]

[Text] IFOP [French Public Opinion Institute] has devoted the third issue of its periodical pamphlet QUOI? to an assessment of the political polls carried out in connection with the presidential and legislative elections. The first part of this document deals with methodological problems: evaluation of results, sampling techniques, popularity indicators, simulated elections. The second part offers the conclusions that came out of these surveys on several subjects: the new voters, the image of the candidates in the presidential election, the evolution of the voting patterns for Mitterrand and Giscard d'Estaing.

The New Voters

Between 1974 and 1981, about 6 million young people reached voting age, which during this time was lowered to 18; 5.5 million people died between those two dates.

IFOP indicates that the voting intentions of the new voters on the second round of the presidential elections were broken down as follows, based on percentage, the number in parentheses representing the proportion of the total French vote received by the candidate in question:

Giscard d'Estaing...	43 (51)
Mitterrand ...	57 (49)
No answer ...	19 (20)

That study, which of course was conducted before election day, and which does not fully reflect the final vote of the electorate, nevertheless shows that while indecision among the new voters may have been equal to that among all the others, they were leaning clearly toward the candidate of the left. Curiously, it was the youngest (ages 18-20) who were the most strongly pro-Giscard (48 percent), even though the majority of them voted for Mitterrand. The new voters pass harsh judgment on the record of the last presidency: 58 percent of them judge it to be poor, to greater or lesser degree, while only 47 percent of the French people as a whole expressed that opinion.

Twenty-one percent of the first-timers voted as their parents did, and one finds this phenomenon most marked among the offspring of executives and employers; 31 percent vote more to the left, especially among the children of mid-level and white-collar employees; 12 percent vote further to the right. A majority of them (51 percent) expected no changes as a result of the presidential election, and they were rather pessimistic, especially the youngest.

The White Collar Types

IFOP has studied the evolution of voting patterns for Mitterrand since 1966. It appears that the socialist candidate has advanced equally (by 7 percentage points) among men (51 to 58 percent) and women (39 to 46 percent). He is obtaining more and more votes among voters under age 49, and slightly fewer among those who are over 65. His electoral following has declined from 41 to 39 percent--mostly since 1974--among farmers, but is gaining with mid-level and white-collar employees (from 45 to 61 percent) and with blue-collar workers (55 to 68 percent), although in 1974 he won 78 percent of the latter's votes. The study of the PS vote in the latest legislative elections conforms these tendencies.

IFOP has tried to understand which group was responsible for unseating Giscard d'Estaing. Its study is based on three polls taken between November 1979 and May 1981. It shows that Giscard's support grew stronger among women (55 to 58 percent) and the elderly, especially older women. His electoral following dropped from 18 to 15 percent among mid-level and white-collar employees, and from 23 percent to 21 percent among blue-collar workers. Other studies corroborate the structure of his voting bloc. Thus, Giscard d'Estaing's image appeared to be that of the weakest candidate in terms of keeping promises and preserving the spirit of reform. Concern about the future of the economic system has increased since 1976, and the president's popularity fell accordingly. His reputation for economic ability weighed against him.

Mr Barre played well his circumspect "shielding" role as prime minister, suffering more of the effects of the president's loss in popularity than the latter suffered--and it was not greatly--from that of his second head of government. In all, the combination of the two currents of discontent in public opinion could only translate into weak popular support.

9516

CSO: 3100/971

FO'S BERGERON ON ECONOMY, POLICIES; RELATIONS TO PCF, UNIONS

Paris LE MONDE in French 10 Sep 81 pp 1, 36

[Interview with Andre Bergeron, secretary general of Force Ouvriere, by Joanne Roy and Jean-Pierre Dumont; date and place not given]

[Text] [Question] Throughout the entire paid-vacation period the Workers Force (FO) has stepped up the number of its communiques on all the issues being dealt with by the government. Are we to conclude that the FO is subjecting the government to closer scrutiny than in the past?

[Answer] The term, "close scrutiny," is inappropriate. If we took no heed of the government's decisions, we would be perfectly irresponsible. Since the government has confirmed its determination to move swiftly, there has been no let-up in government activity, nor consequently in that of the unions. We voice our opinions to the extent that government activity has to do with problems that directly concern us. There is nothing strange about this. We are giving public notice of our view of the situation. That is our duty.

The system for engaging in a dialogue is certainly not yet perfect. But must we reproach the government for this? I don't think so. All this requires a breaking-in period. For many years now the FO has woven a network of contacts with officials with whom we are familiar, without however agreeing with them. But we did have a dialogue. Today, this network has not yet been perfectly reconstituted and it is this which explains the current difficulties. This is in no way intended to disparage the government. It will take months for the dialogue to return to normal. Now that we have settled that, we can say that the government is moving too swiftly. It gives the impression of wanting to solve all our problems at the same time. Now that is impossible. I don't understand why it is in such a hurry, since it has at least 5 years ahead of it. It will have to move more slowly to arrive at good solutions.

[Question] Are you counting on a reduction in the number of working hours to cut down unemployment? And under what terms?

[Answer] I am not sure that the creation of jobs as a result of a reduction in the number of working hours would be achieved in proportion to the latter.

The possibilities for improving productivity are such that it is hardly easy to expect much of them. We have to distinguish businesses from one another in terms

of size and take into account the fact that the 39-hour work week is merely a phase. We want to go farther than that. But what I am hoping for is that the action undertaken by the European Trade Union Confederation will be resumed. If the evolution of working hours does not proceed in parallel fashion in Europe, I fear that we will only end up with obstructions. European agreement on this is a necessity. But we also have to find new channels of communication with the other countries in the world, particularly with the developing countries. Mr Mitterrand has spoken very well on this subject.

[Question] But that implies that the wealthy countries will have less if they want to help those poorer than themselves?

[Answer] This is inevitable. And that is why, at meetings with FO members, I tell them that we must accept the fact that such aid will be deducted from their incomes. And this has been well received.

[Question] Are you counting on government intervention to help businesses to reduce the number of working hours?

[Answer] We will, of course, have to investigate such solutions; if we don't the difficulties will persist. I understand those firms that have to export. I also understand the government, which aimed at reassuring them by, for example, declining to resort to its veto right.

As far as reducing the number of working hours is concerned — the 39-hour week, but also the fifth week of paid vacation, the fifth shift, the reduction in make-up time — this should create jobs. How many? I have no idea. But jobs will be created.

[Question] Doesn't the real choice also mean accepting a reduction in the standard of living?

[Answer] Some people openly say so. But this is not a simple matter.

[Question] What is the FO's position?

[Answer] If we lower the standard of living, purchasing power, we will be reducing domestic consumption. And above all, we cannot prevent wage-earners from wanting to maintain their income. This is perfectly legitimate. While the FO wants to retain this conventional policy, it is in order to discuss these problems, for they cannot be resolved by authoritarian means.

[Question] Will the nationalizations create jobs?

[Answer] Not a priori. The government's objective in nationalizing industries is to acquire new instruments for the conduct of its economic policy. This may create jobs, but the new nationalized enterprises will have to face merciless competition.

Give More Power to Those Who Are Insured

[Question] Aren't you afraid that there will be too big an increase in government jobs?

[Answer] Our unions maintain that the administrative agencies do not have the means for providing good public service. This is the case with the Post and Telecommunications Administration, the departments of trade, consumer affairs, etc. So there are useful jobs that could be created. What is debatable is the plan to create locally useful jobs to serve the municipalities for youths over 16. If they are paid less than the local officials, this will give rise to major reactions. Serious consideration is therefore necessary.

[Question] And retirement at age 60? What action do you plan to take to see to it that pension reform has a positive effect?

[Answer] It is not an easy matter. I don't have any miraculous formula for it. Today, private-sector wage-earners can retire at age 60 if they so desire. With a guarantee of funds, they can receive an "early retirement pension" equal to 81 percent of their salaries. Pensions opted for at age 60 are very low. The problem therefore lies in knowing how we can assure coexistence between these two formulas. I have been inundated with letters. Many people write to tell me how much they fear that the early retirement pension may disappear.

But if we decide to grant full pensions at age 60, we must consider the cost. I told Mrs Questiaux that we had to evaluate various possibilities: full pension at 63, 62 or 61 years of age, that means a lot of money. There is all the more reason for knowing how much since there are other problems, such as the one involving health insurance, whose financial situation is not bright. And there is talk of an overall deficit of over 20 billion francs in 1982 and from 7 to 8 billion this year for the Social Security administrations.

[Question] Do you think that we should move less rapidly with pension reform?

[Answer] Personally, I would not move so quickly. Pension problems cannot be separated from the more general one of Social Security. The basic problem is unemployment and inflation, but financing the Social Security system is just as serious as the rest of them, even if people are not aware of the fact. For years I have been predicting that our most important social problem is the financing of collective social protection. There is a fundamental choice on which one must take a stand: How far will citizens consent to devoting part of their income to insure themselves against the hazards of existence and illness, unemployment, retirement, etc.?

[Question] What are your proposals? Are you modifying them in terms of the economic crisis?

[Answer] When the 1967 regulations were imposed, we agreed to assuming our responsibilities. One of the objectives of these regulations was to provide boards of directors with funds for exercising broader powers, including those governing administration. This objective was not respected. With the exception of medical and social programs, the boards of directors have not been able to play that role.

[Question] Does this mean that you are demanding these powers?

[Answer] But this was a part of the spirit of the Social Security system as it was originally conceived! Today, Mrs Questiaux said to me: We must confer responsibility

on those who are insured. To confer responsibility on them we have to give them certain powers. We have to move in that direction.

[Question] And financing this?

[Answer] There are the regular contributions, but there are also limits that should not be exceeded. The government incessantly repeats that we must not increase the burden on business firms. If we do not rely on contributions, we will have to resort to the national budget. Now the deficit estimated for 1982 comes to a sizable figure: There is talk of 95 billion francs and it will no doubt be more than that. Now the budget deficit will also affect employment and prices. Furthermore, if we rely on the national budget, Social Security will inevitably become just another item in the national budget. I therefore prefer that we preserve these institutions' freedom of behavior. If we do not do this, we will move in the direction of nationalization, just the opposite of what we want to do.

[Question] You demand more powers for the boards of directors of the Social Security funds. Do you also want to change their make-up? And while waiting for the elections, do you agree to distributing seats on the boards among the unions on the basis of the results of other elections, those of the labor-conciliation boards?

[Answer] This is not a basic problem. Our position is still that of preferring appointment to election. This is not because we are afraid of elections, since the FO has had good results with conciliation-board elections, but as a matter of principle. We want union representatives in external organizations to be appointed, mandated and controlled by the labor-union movement. I have reminded the government of Jouhaux's statements in 1936: We do not want shop delegates who are elected by unorganized workers who oppose the unions.

Disagreement with Mr Anicet Le Pors

[Question] What do you think of the guidelines presented by the minister of the Civil Service assigning less importance to the signing of agreements?

[Answer] We disagree with Mr Le Pors. The government used to decide on its own, despite strikes. After 1968 we got them to admit that representatives of the public sector should have the right to negotiate. This was an undeniable step forward. When I look back on what has been achieved in over 10 years time, I must admit that it is positive. Agreements have enabled us to upgrade the salaries of the most disadvantaged categories (C and D), to gradually integrate the housing allowance into the basic wage and to maintain and even increase purchasing power. Abandoning a system that has proven itself would be taking a step backwards. This is why I do not agree with Mr Le Pors when he says that he is willing to accept an official record or the minutes of the proceedings in order to avoid division among the unions. In that event, it is the government that would decide. It is true that in the past not all the unions have wanted to initial certain agreements, but the latter have been applied. And I feel that we must keep this contractual channel open.

[Question] Even if the CGT [General Confederation of Labor] and the CFDT [French Democratic Confederation of Labor] in future continue to refuse to sign?

[Answer] Listen, if I am to believe the CGT and CFDT's public statements, they accept today what they condemned yesterday.

In the FO we don't change colors. by way of example: In the RATP [Independent Parisian Transport System] my friends were singled out because they were threatening to file notice of a strike because they maintained that their situation was worse that year than it was the year before. Now they weren't asking for the moon; they were demanding that what had been done in the preceding years be continued in 1980.

[Question] The FO has solemnly expressed its disapproval of the Communists' entry into the government. What do you think of their reaction?

[Answer] I have not personally met with them. My friends have been to see them. At times they have expressed their agreement and at times not.

[Question] And the dangers of turning this into a political issue?

[Answer] We expressed some concern when the minister of the Civil Service said that he would permit political meetings in the department offices, after working hours, of course. It's hard to draw the line between what is desirable and what can become dangerous.

[Question] Mr Le Pors has accused the previous administration of having subjected the Civil Service to ideological pressure. Did you resent the fact?

[Answer] During the past few years, when it has been necessary to react, those of my friends who are civil servants have very violently done so. I don't know whether there was any ideological pressure. But my friends would no more accept it tomorrow than they did yesterday. They are profoundly attached to the neutrality of the Civil Service and I have often reminded them that the Civil Service is one of the essential pillars of a democratic society, that it guarantees the continuity of the state through any political upheavals.

[Question] In the private sector can we speak of a new lease on life in the contractual policy with employers?

[Answer] Employers are employers. What we want is to retain the 11 February 1950 law on the freedom to negotiate. As a union movement, it is up to us to convince wage-earners to organize, with us or elsewhere, in order to pressure employers into reaching agreements. There is no other way but this one.

[Question] Is there a dialogue at the present time?

[Answer] It's still too soon to say, but a number of agreements have been concluded since the beginning of the summer.

[Question] Are you in favor of compulsory negotiation?

[Answer] That doesn't mean much. I want to see it happen. One should have no illusions. On the other hand, we must take care and see to it that we don't take the wrong turn, which would lead to government wage-setting.

[Question] In the face of rising prices, what is the FO's position?

[Answer] As early as May I sent a letter to Mr Mitterrand on the rue de Bievre in which we drew his attention to runaway prices. Since then I have on several occasions approached him on the same subject. In Lille the prime minister reiterated that he wanted to maintain freedom in pricing. I don't agree. I still think that during a highly inflationary period confidence in the system of natural competition is an illusion. In the government's position, I would freeze prices for several months.

The change in policy has given rise to hope among some people and fear among others. This to a certain extent explains the increased precautions and we risk finding ourselves facing an inflation rate of from 15 to 16 percent. This is a serious situation. And it is why we should have a temporary price freeze and set up rules in terms of which we could arrive at a policy that would be agreed on between merchants, for example, and the administration.

[Question] Has the Left's accession to power improved union relations?

[Answer] We have had contacts with the FEN [National Education Federation], the CGC [General Confederation of Managerial Personnel] and the CFTC [French Confederation of Christian Workers]. Nothing has changed with the other organizations. The CFDT is developing issues that obviously have nothing to do with ours — which is not to be taken as disparaging as far as it is concerned — even if only in the domain of nuclear energy and all sorts of domains affecting the union movement's position, particularly the domain of self-management. But we are not going to debate the point. For the time being, the Left's arrival is still too new and our friends' attitude is to maintain the status quo.

11,466

CSO: 3100/980

CHABOT: CHANGE MILITARY 'PASSIVE' OBEDIENCE; ADD CIVILIAN SERVICE

Paris LE MONDE in French 26 Aug 81 p 2

[Article by Jacques Chabot, assistant instructor at the University of Provence; passages between slantlines in italics]

[Text] If 48 months of military service--at a time when military honor forbade us to denounce the tortures in Algeria--had not left me with few doubts about the sense of humor one finds in career soldiers, I would almost have suspected that the hoplite who shared with LE MONDE readers his insights into the inner feelings of the career army about the "socialist fatherland" was a humorist. But that anonymous hoplite is a strategist on active duty. Thus he has the authority to give orders to French citizens mustered into uniform. We would be making a mistake not to take seriously these inner feelings which on occasion can be transformed into action against the republic. In reality, the conclusion of Hoplite's article (of 22 July) projects both a disturbing nostalgia and I do not know what kind of anticipated rancor: if the fatherland were once again to show signs of "giving up, decadence, and anarchy," would the French army forsake its "natural sense of discipline" and out of necessity /once again/ promote putsches? Hoplite in fact recalls the 12 patient years at the end of which the soliders /"declared themselves"/ for General De Gaulle. President Mitterrand himself is not a /pronunciamento/ president! Might one suspect him for that very reason of being a forerunner of decadence and anarchy?

Lt Col Terejo cut the figure of a blustering buffoon before millions of television viewers who finally saw (in close-up) a military putschist bringing down a parliament: if this /miles gloriosus/ had won the day, though, who would be laughing at him today in Spain, or for that matter even in France? We were told of the much-vaunted loyalty of the Chilean army to democracy! Then what kind of "anarchy" brought President Allende down? Who then will define the /ethical framework/ which Hoplite sees as the guarantee of the loyalty of the soldiery: the government of the republic, maintaining the peace--even in the barracks--or perhaps subversive military ideologues? And why then were these very guardians against the possible decadence of the socialist republic never scandalized by the moral disorder, the weakness, the decadence, and, all things considered, the anarchy of Giscard's regime? Millions of citizens, on the other hand, voted by an overwhelming majority to censure the moral and political disorder of the former government. When a minority claims to be better able to define and even impose by force its own conception of order than a democratically representative majority, it is /declaring itself/, in effect, against democracy. Two concepts of discipline are indeed contending head-on here:

1) For Hoplite, the strategists and career soldiers are naturally disciplined, because they do not make policy; thus soldiers who are called up should not make policy, and an army of citizens is a dangerously utopian idea. But this natural discipline, to which they give lip service only with respect to a leftist government, is subordinated to /political/ conditions defined by them and thus make themselves the /political/ proctors of the government. The "G.I. Joe" is not supposed to have ideas but only obey: if he turns his mind to politics, he is already suspected of rebellion;

2) We might, on the other hand, conceive and create a national service, both military and civilian--in which the distinction of being a conscientious objector for noble reasons will be acclaimed as a right, and no longer punished as a crime,--in which the citizen would be able to complete his civic education while at the same time learning how to soldier. This civic education should obviously be designed to make each soldier a responsible citizen, totally rebellious to any form of passive obedience. And, as we know from experience that the army is incapable of providing this indispensable civic education, we must break its monopoly over the brigading of youth.

If the Algiers putsch was a failure (at least in part), it was because the citizen soldiers in the contingent themselves stood up against the military putschists and the mercenaries who blindly obeyed them. It is thus of vital importance for the republic that all the citizens in the forces understand, for example, that it is immoral, decadent, and anarchic to wordlessly follow a "providential savior" who claims to be restoring morality to democracy /*manu militari*,/ whether his name be Cavaignac, Badinguet, Galliffet, Boulanger, Roger, Petain, or Salan.

Hoplite's inner feelings thus constrain us to pose this question, which from the point of view of the national defense is perhaps more urgent even than the question of the seventh atomic submarine, and to ask the prime minister in particular: does the "new French citizenship" stop at the barracks entrance or not?

9616

CSO: 3100/975

'INSEE' PARIS REPORT NEGATIVE; EMPLOYMENT, INDUSTRIAL DEMAND DOWN

Paris LE FIGARO in French 23 Aug 81 p 5

[Article by Maurice Cazaux: "Gloomy Prospects in the Paris Region"]

[Text] The August monthly bulletin of the regional directorate of the National Institute of Statistics and Economic Studies [INSEE] exudes neither confidence nor hope. In fact one reads in the very first sentence of the document that "the responses of the regional industrials to the July survey for their part show great pessimism."

To be completely honest, the statisticians point out that the question concerned only predictions about the next 3 or 4 months. It is plausible, they say, that if it covered a slightly longer time frame, the responses might be less negative.

All the same, "pessimism is most acute in the consumer goods sector. The great majority of the industrials believe domestic demand is normal and therefore predict a decline in their production in the months to come. In intermediate goods, the weakness in demand persists. So a majority of industrials in this sector are once again beginning to consider lowering production, though the level of activity has apparently been stable since the beginning of the year. The equipment goods sector in our region had up to now been largely spared by the recession. But the situation has been deteriorating for several months. Actually, production is continuing to grow, but because the process of manufacturing in this field is so slow, this production is doubtless in many cases for the purpose of filling fairly long-standing orders. New orders are now considerably fallen off, a fact which may produce a decline in activity in the months to come."

It was also noted that many jobs had been eliminated in the central zone of the greater Paris metropolitan area, but that personnel in the tertiary sector, for example, had increased by an average of 19 percent per year in recent years in the departments which make up the great crown around the capital city.

This expansion of the tertiary sector has unfortunately been accompanied by an almost general slowdown in construction, public works, and industry.

After a mild boom in 1976, which affected different departments to different degree, the number of jobholders in construction and public works decreased almost everywhere. Paris, for example, lost one-third of its employees in this sector between 1975 and 1980.

This decline should be seen in relation to the significant drop in construction recorded in the capital.

In the city itself conditions are rather bleak. Layoffs are higher than 10 percent. Only Val-de-Marne still seems to be spared, with only a 2 percent drop.

But now the metropolitan area is scarcely better off. Yvelines and Essonne show a reduction of overall employment in construction and public works, similar to the situation in Hauts-de-Seine and Seine-St-Denis.

Regional employment prospects do not appear very bright. The weak growth in employment is becoming weaker still. The impetus given by the expansion of the tertiary sector only compensates for the effects of the crisis on the other sectors.

These conclusions will not fail to fuel debates over the regional council's elaboration a few weeks from now of a 2-year intermunicipal regional plan.

9516

CSO: 3100/975

PCI DISPUTES OVER BERLINGUER'S POLICY

Effects of Napolitano Article

Rome L'ESPRESSO in Italian 6 Sep 81 pp 6-11

[Article by Francesco De Vito]

[Text] Sickie vs Hammer. Napolitano lights into Berlinguer, Fiori assails Napolitano, Pajetta invokes a plague on both their houses, and Bufalini... So opens a salutary free-for-all over PCI strategy for the Eighties. It's anybody's guess how it will all end.

Italy's communist press is never caught napping when the anniversary of Palmiro Togliatti's death rolls around. For 16 years now, the managing editors of UNITA and RINASCITA make a point of assigning the commemorative article to a prestigious Party leader, and each year the one who gets the nod plunges into a re-reading of the life, writings, and speeches of the departed PCI leader, carefully reinterpreting what he finds to make it fit whatever political ploy calls for development at that particular juncture, citing the fallen leader as authority.

What Giorgio Napolitano wrote for UNITA's 21 August issue was thus not dashed off with a haste that would have excused his overlooking points which more careful reflection would counsel including, or at least some careful recasting. Napolitano did a lot of thinking about that article: it started at Capo d'Orlando, where he read with consternation the interview Party Secretary Enrico Berlinguer had given REPUBBLICA at the end of July, and the reactions it had set off. He thought some more on Stromboli, on another brief vacation. "It's time to come out into the open," he confided to a friend on his return to Rome over the Ferragosto holidays.

He waited, though, for the deadline to deliver his article. On Thursday morning, 20 August, his secretary handed a copy to a messenger at PCI headquarters on Via delle Botteghe Oscure, telling him to deliver it to UNITA headquarters on Via dei Taurini, and handed another copy in at the press office for delivery to the wire services. He did not bother, though, to send it for review to other Party satchems like Paolo Bufalini or Giancarlo Pajetta, both of whom were in Rome at the time for meetings of the foreign and defence committees of the Chamber and Senate, or to Adalberto Minucci, who was on duty that day at Botteghe Oscure. It did not take the wire services long to grasp the fact that this was

a major political document, and they immediately started sending it out over the teletypes -- so promptly that one wag at UNITÀ taxed them: "Hey! You sent it to the wire services before you sent it to us!" Top Party leaders, scattered over the hundreds of miles of the nation's beaches, read the article next morning: Berlinguer read it at Stintino, Alessandro Natta saw it over coffee outside Savona, and Gerardo Chiaromonte got it at Vico Equense. All of them got the message. That article heralded the emergence of the in-house political battle from the communists' ivory-towered summit to engage the entire Party.

The Togliatti whom Napolitano had picked to reinterpret was the late-period Togliatti, particularly his way of facing down the center-left by summoning the Party to get down to "differentiated analysis" so as to evade the serious error of "failing to distinguish between different things" -- in this case, between the DC and the PSI -- and urging it to "get down and start digging in reformist ground," rather than claim to be fighting it on the lofty ground of "pure verbal opposition" or of "empty rhetoric." In some ways, Napolitano's reinterpretation was a reinterpretation of the easy way out, in that, while it is true that Togliatti viewed the center-left as "a more advanced battleground," it is equally true that he encouraged the split in the Socialist Party. It did, however, do yeoman service on behalf of the goal Napolitano had set himself: to offer a less pessimistic -- and less bewildered -- picture of the current situation than that proffered by Berlinguer's latest effort; to grasp the difficulties, but to keep the new possibilities in sight -- the waning power of the DC, the pressing need for an alternative; and, along that line of perspective, to float the possibility of a frank confrontation that would clear the air on the left.

These were not new approaches for Napolitano. On the eve of the Socialist congress in Palermo, while there was a no-holds-barred confrontation going on at the communist summit over the stance to be taken toward Bettino Carxi, he took to UNITÀ's columns with an appeal to refrain from "dramatizing every petty incident" and to make the most, on the contrary, of "every possible reconciliation." At the close of the socialist congress, he pointed out with some satisfaction "the many contributions it had made toward a thaw, toward a more reasonable and constructive turn in the discussion and in the relations between the PCI and the PSI." And again, after the June elections, while many of his party's leaders were in a state of shock at the socialist gains, Napolitano went before the TV cameras with Claudio Martelli on "Modulo 81" to say that he thought it a good thing that the PSI could "drive a wedge into areas of the electorate traditionally fiefs of the DC and wholly impervious to appeals from the PCI."

What was new, though, was the context in which those positions were proposed anew -- the context established by Berlinguer's latest interview -- which endowed them with the trappings of a direct polemical quarrel with the Party secretary. Equally new was the assertion that the Party harbored "persistent divergent opinions and trends that would better be dealt with more frankly." That statement impelled PAESE SERA to charge Napolitano with the crime of "lèse-secretaire," thereby earning itself

one of Pajetta's more savage barbs: "I find it difficult to grasp the pertinence of an appeal to [party] discipline from an independent newspaper."

Pajetta's was the only public reaction from a PCI leader to Napolitano's editorial. "I read in an article written by a comrade on the Party secretariat that, even in the aftermath of the discussion in the central committee there are still disparate opinions and trends. Since I agree with that finding, I believe that the necessary discussion cannot come as a point of departure, as a development -- much less that it can come as it has today in the form of conclusions, interviews, articles, or statements handed out to one newspaper or another." There is a statement that is a model of ambiguity. On the one hand, it says that this is not the end of the matter. On the other, it provides a reminder of the bolshevik maxim which holds that the proper forum for political controversy is the natural organs of the Party. It is general knowledge, though, that Pajetta generally agrees with Napolitano's position, and that he is concerned lest the PCI's isolation loom daily as a greater danger. The latest episode, the one in Bologna, is the most sensitive of all. At a city council meeting, the communist members found themselves in the minority on the delicate issue of missiles in Europe. Pajetta, however, does not share Napolitano's methods of debate, as he went so far as to state for the record even before he left for China, advising him to avoid further public comment until such time as the Party leadership should have occasion to meet.

As for Berlinguer, he will deliver his rebuttal on 20 September in Turin, at the conclusion of the national communist press festival. It may be that, as on other occasions, his remarks will go over the heads of the leadership and seek to gag inner-council dissent by going directly to the rank and file. This time, though, that maneuver turns out to be complicated. When the Party leadership does meet early in September, it will want to know what Berlinguer plans to say in Turin. Dissent, which already pervades much of the middle leadership and most local government officials (Rome's Mayor Luigi Petroselli and Milan's Mayor Diego Novelli have emerged as spokesmen for their restlessness) is bound to surface clearly there.

At some point in late September or early October there will be a session of the central committee. What will Berlinguer's move be there? When Togliatti found that there was no way to silence dissent, he appointed himself to take charge, and then proceeded to claim that nobody could differ with positions approved by the majority. That was the way he managed to finesse Giorgio Amendola and keep him quiet, at least for a while. Togliatti, though, was, after all, Togliatti. Berlinguer hasn't the authority to imitate him. Furthermore, the PCI summit is a lot more articulate than it was in those days. So that leaves two roads open. Let the factions squabble and make no decision, or bite the bullet at last and adopt the method chosen by the central committee in last January's session on party problems, at Napolitano's suggestion. "When there are differing positions," Napolitano argued at the time, "the leadership shall not take sides, but shall bring them before the central committee and ask it to make a decision." What we have today is precisely such

a situation. If the PCI summit wants such a decision to implement in January, it would have to call upon the central committee to choose between an attitude aimed at haughty isolation pending the day when the DC shows signs of some potential for a comeback, and another that sees the odds favoring a decline for the DC and concomitant advance for a socialist-lay coalition as the one and only way to building an alternative. Assuredly the internal debate would gain in clarity from such a showdown. Will it really take place? Meanwhile, let's go on and read what a number of political observers and left-wing politicians have to say in response to three questions: What does Berlinguer really want? What does Napolitano really want? Which of them is right? Read on.

Berlinguer Still Thinking Compromise

Rome L'ESPRESSO in Italian 6 Sep 81 pp 8-11

[Article by Lucio Colletti]

[Text] Back at the end of 1978, when the PCI decided -- not without considerable internal sturm und drang -- to scrap the "national solidarity" policy, that act did not, in Berlinguer's eyes, signal the end of his "historic compromise" (nor yet a personal defeat for him), but rather a slight delay and a temporary tactical regrouping which seemed called for by circumstances. The PCI clambered dripping out of the "middle of the ford" to regroup its ranks, and to reassure and fire up the Party's grass roots, which were in some disarray over its "subalter-nate" collaboration with the DC. For the rest, the major thrusts of the old strategy still stood. The basic objective was still to get together and reach an understanding with the DC, but this time the price and condition for such an understanding would be the PCI's entry with full standing into the cabinet. None of Berlinguer's self-critical statements since then leaves the slightest doubt on that score. In his view, the error lay not in the strategy: the error was tactical "opportunism;" and that was to be laid primarily at the door of the Party's "rightists," all of them committed collaborationists. There was more: since Berlinguer, in deciding to scrap "national solidarity," had mended his fences with Ingrao's people on the left, the goal of the "historic compromise" emerged not only as reasserted and confirmed, but absorbed into and, so to speak, enriched by all the heady fumes of suggestions about a "third road."

The idea that drove Berlinguer into ordering the end of "national solidarity" was that reestablishing an understanding with the DC, under the new conditions providing for PCI cabinet seats, would be neither impossible nor even overly difficult. Zaccagnini's party was decidedly favorable to the privileged relationship with the PCI. The still-weak PSI certainly would never be driven into the "trap" of a new center-left (and if it showed signs of leaning that way, there was the Lombardy left on hand to head it off). Given these conditions, all it would take would be a few months of resolute communist opposition to bring the DC to terms and force it to negotiate -- and, at the same time, Berlinguer could get the PCI firmly back in hand.

2. The more or less unforeseeable string of events that knocked all these calculations galley-west is fresh in all our minds. The 20 June 1979 elections were a bitter defeat for the PCI, which lost 4 percent of its regular vote; at the same time, those elections gave the signal

-- albeit a somewhat tentative one -- for recovery among the lay and socialist parties. Reassured by these signs, Craxi dared do what nobody else in those days would have dared do: he walked boldly into the center-left "trap," thus guaranteeing the country's "governability." He didn't go about it on tiptoe or with the hangdog air the PSI had adopted in other circumstances, but laid down a set of conditions the DC would have to meet (first among them that of taking turns at the head of the government), so as to give the nation clearly to understand that the Socialists were not casting themselves in a supporting role for the majority party so much as in the role of an alternative to the DC. (Further to complicate the communists' prospects for rapid entry into the seats of power came the crisis in detente, culminating with the Soviet invasion of Afghanistan.)

Berlinguer's response to this new turn of events was a kind of leap in the dark. At all costs he had to prove to the DC that it could not govern without the Communists; this was the sole condition under which the "historic compromise" could remain viable. The ways and means for achieving it could lie only in head-on, no-quarter attack: which is precisely what the PCI had been engaged in, first against the two Cossiga cabinets, and later against Forlani's.

The consequences of this line of conduct were not slow to emerge. In the DC, Berlinguer's policy helped (wholly against his intentions) to overthrow Zaccagnini's secretariat and the majority's statement of the "preamble": the either-or he had himself proclaimed -- "either in the government or in the opposition" -- and in fact cut the ground completely out from under his own allies. On the labor front, the need to "stir up the masses" and build indiscriminate opposition forced the PCI secretariat to urge stronger Party control: and the upshot of that was very serious tension, not only in relations with the CGIL but finally within the ranks of the Federation itself. And finally -- but no less serious -- Berlinguer's PCI found itself on a collision course (just as it was at daggers drawn with the DC) with the Socialists, who were determined to save the legislature by permitting a government to stay in office, while Berlinguer's PCI was just as determined to prove that the country was ungovernable without it.

However, while taking the hard line with the DC to force it into the "compromise," Berlinguer was stating repeatedly that he considered it his "historic" interlocutor, the PCI secretary had nothing to offer the PSI, with the possible exception of a rope to hang itself with. Craxi had to work to get the PCI into government; withhold his collaboration from the DC until it agreed to take the Communists into the bargain; in short, the task laid out for him was to dust off the old De Martino policy of the "most advanced balances" -- the selfsame line on which the PSI had broken its neck in 1976. Aside from and as an alternative to all this, Craxi and the PSI became merely the prime impediment to the "historic compromise," and hence an enemy to be laid low.

3. Those with their wits about them, including some inside the Party, were not slow to perceive how this policy was, de facto, damning the Party to isolation. And, inasmuch as such an unenviable position would inevitably encourage the recrudescence of patterns of blind factionalism, any number of people sensed intuitively the danger that threatened.

Above and beyond any personal intentions, the danger lay not only in a possible halt to the process of revision so painfully and laboriously undertaken by the PCI of recent years; but actually in the possibility that the inward-turning process might eventually pervert the very nature of the Party, causing it to lose the openness and the national scope it had learned in Togliatti's school, its ability somehow always to play politics, its well-known flexibility and adaptability. In a RINASCITO article published just after "national solidarity" was sent to the scrap-heap, Giorgio Napolitano openly aired these concerns, adding that -- should such an evil day come -- the Party's very unity would be plunged into crisis. Last week, in UNITA's columns, he returned to the attack.

Some will object that what we are saying does not allow for the latest developments in Berlinguer's policy line. For some time he has not said a word about the "historic compromise," they would argue, and that, on the contrary, last fall he led the call for a turnabout, for a policy of "democratic alternative." The only problem is that such objections are without substance. The document published on 27 November at Salerno, in which the "new strategy" was unveiled, talks of a democratic alternative, but -- as Craxi recently reminded us -- "fails to mention the PSI, even in passing." The truth is that the document outlines no real policy, nor does it contain any feasible strategy. It was conceived, rather, in response to very different concerns: inside the PCI, it was designed to block the advance and stop the mouths of those who had long been calling for overtures to the Socialists, to send a code signal, saying that the PCI would take a good-listener line pending the day -- as Galloni explained in a recent statement -- when, out of the DC's internecine strife, the conditions would emerge for resuming the interrupted dialogue.

In conclusion, the PCI has no policy because Berlinguer is still waiting for conditions to ripen for his "historic compromise." This would explain the tone and content of his recent interview in LA REPUBBLICA. It would also explain the "purely negative attitudes," the "pessimistic state of mind," the criticism of the "party system," and even the "patterns of bewilderment" which Napolitano and other PCI leaders could not help noticing.

4. Stated in these terms, the dilemma and the pussyfooting gaining prevalence among the PCI leadership may look like a simple alternative to mechanical political formulas: one leaning toward the DC, the other toward the Socialists. The truth is that the dilemma is far more complicated than that. Democracy's survival in Italy today seems to rest on our ability to solve an equation with a great many unknowns. One of those unknowns is the crisis in the DC. The phases and course of that crisis are hard to predict; its scope and gravity, however, are no longer open to question. The referenda on divorce and abortion have showed us that Catholics prepared to follow the discipline of the Church are a minority in today's Italy. From this point of view, the country has been transformed, to all intents and purposes, into a Western secular society. If the DC really wants to go on speaking for the nation's Catholics, it will have to resign itself to minority status; if it

wants to evolve in the direction of a liberal-democratic party, it will have to take issue -- and do so as the underdog -- with the secular and socialist parties which hold prior title to that ground. And meanwhile, it is also a fact that the crisis within the DC occurs at a time when there is no available force waiting in the wings to take its place.

Looked at in this light, Berlinguer's policy seems to have fallen into a twofold error. It looks conservative and secular at the same time. It persists in assigning the DC a historic role precisely when that role is in deep trouble and when, for the first time -- even among us -- conditions for an alternative seem to be ripening. On the other hand, it attacks the DC as it is today with indiscriminate opposition and renders any government incapable of action, without realizing that a sudden vertical downfall of that party today might well bring down all our democratic institutions, and plunge the entire country into chaos.

This amounts to saying that, under open and intelligent leadership, the PCI would still have some cards to play today! Why, for example, oppose the growth of secular-socialist sentiment? If it jells, it will help pave the way to the democratic alternative. Should that happen, Italy's situation would be freed up. We would be moving, albeit gradually, toward a whole new deal all around. By encouraging the consolidation of that sentiment, by supporting it as well when it seeks to govern, the PCI would have a hand in the operation, and would thus, de facto, have a hand in the game. And it would be difficult indeed, then, after helping to bring about the new state of affairs, to keep the Party from finding its proper place there.

Napolitano, Berlinguer 'Scenarios' Criticized

Rome L'ESPRESSO in Italian 6 Sep 81 p 10

[Article by Rossanna Rossanda]

[Text] I should be lying were I to say that Giorgio Napolitano's article roused lively, though polemical, sparks of interest. I heard him on the radio, at a place where there were no newspapers, and I profited by that deprivation: those few somewhat clearer words toward the end were not drowned in the sea of continuity of a policy signed and sealed as THE right one from Togliatti's time to the present. And that might be wrong, perhaps, tomorrow, if the PCI's "presence" were to continue, under the cloud of suspicion that it might again switch over to dialogue with the DC -- a dialogue, be it remembered, that was proper in the past, so long as it never reached a proper conclusion.

No genuine debate will ever come within the Communist Party so long as its leaders confine themselves to this backing and filling. The crisis that is tearing the Party apart will simply go on: Napolitano's article is merely an expression of it, and one that must not be underestimated. Debate is a lot more than that; it is not crisis, but a vital act. It implies an unraveling of lines, a clear-eyed identification of one's own positions and those of others, an unshakable ability to dig down to the roots of error, and an equally firm determination to take the

broader view, to make a convincing estimate of the costs to be paid and of the profits to be expected from a given change of routes. Only under these conditions can a change of course be called such; only so can it be set before a living body of activists capable of accepting or rejecting it; lacking those conditions, it becomes just another move in the chessgame of the ruling cliques, destined to be settled within the framework of their internal checks and balances, under the patronage of the Labriolas, the Formicas, the Piccoli, the Galloni: always the same old story. Always and forever the symptom of a malaise, which might at least be obvious -- but no: it will go on being merely wearisome, but invisible to the naked eye.

One thing strikes me, even more than the contrast between the "social-democratic" scenario said to be Napolitano's pet, and the one calling for the "communist diversity" alleged to be Berlinguer's invention. Neither of them, in this year of minced words, has attained the dignity of a valid choice. The fact is this: the former has not involved and thereby changed the Socialist Party, as it would have done had it been a genuine proposal, firmly grafted onto the native stocks of the thresholds to be crossed, one way or another; the latter failed to involve and consolidate a class alternative, without which a communist has no real identity; on the contrary, it has gradually disintegrated, and in the months to come, given the break with organized labor, it may well experience the ultimate defeat. Policies are judged by what they accomplish. When they accomplish nothing, policies are no longer policies, but mere fantasies, whims, or glimpses of internal quarrels; the signs of a wasting disease for which there is no visible cure.

Redefinition of PCI's Role

Rome L'ESPRESSO in Italian 6 Sep 81 p 11

[Article by Stefano Rodota]

[Text] Shall we try now to look at the discussion under way now in the PCI in a non-factional, non-axe-grinding light? Ever since last November, when the [democratic] alternative line became the center of Communist strategy, there has been a process of redefinition of the PCI's real role and of its system of alliances which is not yet complete, and which gives rise to considerable aftershocks, both within the Party and outside it. Let's get this straight: the quest for an identity and a role adequate to the changed times we live in is not a problem confined to the PCI alone. The PSI was engaged in it, and has continued to conduct it most aggressively; the DC has tried to do it, and is eager to try again.

In this context, within which much is changing and much is under discussion, the shift in favor of the alternative has brought with it a factor of comparison and clarity, attuned to the times when the acuteness of the crisis should rightly demand crystalline clarity of decision everywhere -- in foreign policy, in economic policy, in civil rights policy. With the passing of the suitability of "grand coalitions" for mastering situational crises, there emerged a vital need for an overall policy that could demonstrate the new reality (or at least some

reality, whose features -- thus far, at least -- have not proved very attractive to those who might be expected to recognize them).

But this could not have sufficed, per se. We had to do some thinking about the Party and about parties in general, which is what, in sundry ways, Berlinguer, Ingrao, and Napolitano have done, thereby triggering a process which it would be foolish to underestimate, or to dismiss as involving only one party. We had to begin thinking about the State, and, above all, thinking about the "monstrous unions" that wipe out all the efforts of those who would sweep out the cobwebs and let the fresh air in, and thus wring a political decision from moral indignation.

We are even now entering upon a new phase. Emotional decisions must be matched by suggestions equal to the overriding emergency nature of the diagnosis. For too long now the forces of the left have played backup for other people's goals, or, as often happens in the present government coalition, have moved directly onto other people's turf. What all this means is that the crucial point is not the diplomatic metering of the hard or soft line the PCI may take toward the PSI: it has to do with the quality of what the PCI offers to the left as a whole, and hence with the PCI itself. And it also has to do with the quality of the socialist response. The PSI has spurned the "unrealistic" issue of the alternative: what will its response be now to the all-too-real issue of juntas?

Napolitano's Article Discussed

Rome L'ESPRESSO in Italian 6 Sep 81 p 11

[Article by Magri]

[Text] At first blush, at least, the attention focussed on Napolitano's article would seem excessive. Just what did Napolitano say, anyway? He said that we need a critical analysis of specific situations -- but without tacking on more or less critical analyses of this or that aspect of the situation; that we need to avoid jumbling all the parties together in a single summary critique; that a great political party ought to make an effort to engage in politics, not merely in propaganda; and finally that unity between communists and socialists is a very important matter and that therefore, even if the socialists are wrong, prudence calls for patience in working toward that unity.

Quite frankly, this is not very much, or rather what we have here is a set of commonsensical statements to which not only Berlinguer, but even Martelli and I could readily agree. So what's all the shouting about? There are two reasons. Because for some time now the communist leadership has been split by a very real difference that crops up on every issue: first it was on the cost-of-living index, now it is on missile deployment. The latest flap comes because Napolitano wrote an article in which, through a simple series of statements, each of them obvious in itself, but which put together displayed a picture different from the one Berlinguer had painted in a recent interview, he set about sending a different and more explicit message about the conflict.

Thus far, well and good. But now, as I think not only of the interests of the Communist Party, but of those of the left as a whole as well, I have two questions to ask: Wouldn't it be better if this political feud which has already made democratic centralism an empty shell were to be faced frankly, instead of being left to rankle in a war of attrition over a parcel of bloodless formulas? And inasmuch as the tension most assuredly cannot be laid at Napolitano's door, but must be blamed rather on real difficulties and contradictions in the history and make-up of the PCI, wouldn't it be a good idea for the PCI secretary himself to raise the whole issue of the alternative and of the change of course more fairly and openly before the Party and before the left as a whole, with all its implications, going beyond the moral question and bringing in the issues of international and economic policy as well?

6182

CSO: 3104/379

PSI'S FORTE ON PARTY'S ECONOMIC POLICY

Rome L'ESPRESSO in Italian 6 Sep 81 pp 102-105

[Article by Salvatore Gattil]

[Text] Our policy? Somewhere between Adam Smith and Helmut Schmidt. The PSI? It aspires to rationality and efficiency, on the German model. The PCI? Berlinguer is too worker-oriented. Napolitano, though.... The DC? It's still living on welfare. As for Spadolini...

Bettino Craxi's latest decision was warmly hailed by the Bank of Italy. Carlo Azeglio Ciampi and Lamberto Dini are convinced that Francesco Forte's appointment to the delicate and demanding task of steering the PSI's economic policy is a good thing. For far too long since the end of Claudio Signorile's steady hand at the helm, the Socialist Party's economic policy had been adrift, prey to the shifting winds of banditry and trepidation. The banditry breezes had picked up since the discovery of Franco Cicchitti's name (he was Signorile's successor) on the membership rolls of the notorious P2 Masonic mafia; the gusts of trepidation were reflected in the contradictory and chaotic behavior of Socialist cabinet members in the Cossiga and Forlani governments.

Then, over the past 6 months, the PSI's economic policy had turned into an unidentified object. For a party critical to this and future governments, with a secretary who aspires to residence in Palazzo Chigi as foreign minister, it was a situation bordering on the absurd. And so, flushed with his clear victory at the Palermo congress, Craxi made two decisions: he would no longer tolerate the split between the party's political line which he held firmly in his own hands, and its economic line, thus far the province of the party's left wing. He saw that dichotomy as the source of pervasive confusion, as if there were two PSIs. Therefore, he would put one of his closest advisors in charge of the socialists' economic policy. At first, his choice seemed to fall on Claudio Martelli; Forte was earmarked for a cabinet post -- either Treasury or Industry. Then he made up his mind: the economy could not be left to a layman; and so that left Forte, the only socialist economist -- besides Giorgio Ruffolo -- on the PSI's directorate.

Once holder of the chair at Turin University that had once belonged to Luigi Einaudi, from which he turned out graduates like Franco Reviglio, Francesco Forte, former vice president of the national fuels agency (ENI), is also a member of the elite "Raphael Club, the fortress-hotel in Rome where Craxi lives and where his most devoted loyalists gather. With his appointment (which will become official within the next few weeks), Craxi will be dealing decisively and at first hand with the problems of the beleaguered Italian economy. So this is the first time we have had a look at Craxi's idea of economic policy. Here it is.

Neither Reagan nor Mitterand

[Question] Professor Forte, Craxi-style economics is a great mystery. Just what is your ideology?

[Answer] For heaven's sake! No do-or-die ideology at all! You have to get close to the practical problems. Not start casting about for grandiose final solutions, but hold fast to a few solid strings of identity...

[Question] Are you a working-class party? Or an inter-class party?

[Answer] Certainly we are not a party "of the working class," in the old sense of that term, because it implies an inflexible counterposition between labor and capital which simply doesn't exist any longer; yet we are not an inter-class party, either; if anything, we are a post-class party, a party of and for the post-industrial society. And besides, the classes have long since changed.... Put it like this: we are a party for the productive strata of society, not of its parasites; we are not, however, the party of the "submerged tenth," of those on the outer fringes of society.

[Question] What about your traditional populism?

[Answer] There is no such thing. Of course, we are still doing our job of protecting the workers, but we want to be the party of productivity as well, the party of competition and efficiency.

[Question] Historically, the PSI has been the party of planning and nationalization. A sorry experience for Italy. What do we need now: more government or less government?

[Answer] No question about it: we need less government, less bureaucracy, less centralized management, and more market.

[Question] What do you mean by "less government"?

[Answer] We have had enough of these sector-wide plans coming out of the Ministry for Industry; we have had enough of the communes' abuse of power in regard to zoning permits; and besides, we have too many government-run corporations: the Iron and Steel Finance Corporation (FINSIDER) would be better off if it were in private hands: any very

large corporation works better if it is privately run; we have had enough of the bureaucratic superconcentration that calls itself the Industrial Reconstruction Institute (IRI): let's break it up, detach some of its sectors, such as the telephone system; we have had enough of bureaucratic management of the railroads and the post office; enough of companies chronically in the red that never go bankrupt, with managers who never get fired...

[Question] All this sounds a lot more like Reagan than like Mitterand. Do you really want deregulation by the government and the rule of the marketplace?

[Answer] Oh, no! Not Reagan! If anything, we sound like the Western progressives who have done some thinking about some of the welfare state formulas, or like American economists who think like Lester Thurow. But we certainly don't sound like Mitterand, either, with all his nationalizations! Comrade Mitterand will find out in a couple of years that he has gone too far. If anything, our program sounds more like Delors and Rocard, or maybe Schmidt.

[Question] So your model is Helmut Schmidt?

[Answer] If you really have to have a model, then yes. We shall not be quite so rigorous in every area as highly developed Germany can be, because we have weak areas and others that are quite out of the mainstream, but certainly we shall have to bring in a salutary dose of efficiency and realism, and to enhance the role of the marketplace as the arbiter of economic choice.

[Question] If this is Craxian economics, you are on a collision course with the Communist Party....

[Answer] True: the PCI is on a dangerous line right now. It wavers between a working-class leaning, the traditional militant classism (which gets a lot of support from organized labor) and a redistributive planning line aimed at lofty goals, a neo-mercantilist design devised to protect the broad reaches of the society and to guarantee everyone his own little garden (which will turn a profit mainly in local city halls and county seats). The working-class line is emerging very clearly right now: just look at how hard it is to get the PCI to agree to a pact against inflation, to deal realistically with both wages and cost-of-living increases. Then again, there is an immensely powerful synthesis between the two lines: Berlinguer's austerity, experienced as a rending renunciation of the working-class line (the sacrifices") to put a rigid plan together that will redistribute resources and also put a rein on consumption. Berlinguer wants to use moral suasion to run the society. From historical materialism to historical moralism -- Pajetta is right, after all! How far Berlinguer has strayed from Gramsci's "new principle," Gramsci's working class!

[Question] Basically, though, Berlinguer's strategy is the obvious one for an opposition party.

[Answer] What are you talking about? It is a choice, a decision not to govern, which is something altogether different. It is the line of a party that intends not to govern, but to hang on in the vital nooks and crannies where it will not be crushed by the power of the people who have been governing the country since time began. It is a flat and peril-fraught refusal to govern...

[Question] Peril-fraught?

[Answer] Of course. The main point of contention with Berlinguer is that the PCI secretary sees, for instance, a moderate wage policy only as a political concession to be used as a bargaining chip; but what it actually is is part of the essential plan for proper management of the nation's economy. It is in the highest interests of the whole country, including the working class and the PCI in opposition, to come to an agreement to stop inflation. Inflation does not adversely affect the living standards of the rich in the least. Neither does it help defend democracy against resurgent authoritarianism. Fighting against inflation is thus a matter of the national interest, not a policy chip to be traded away. But that Berlinguer...

What if Napolitano Were to Come out on Top in the PCI?

[Question] Right now, though, there is not only the PCI secretary. There is Napolitano, who has come out -- some say courageously -- against Berlinguer. If Napolitano were secretary, what would the PCI's economic policy look like?

[Answer] Better: better by a long shot. Napolitano is aware of the fact that workerism is a concept that has been superseded by the broader concept of the post-industrial society. That government intervention requires a hard, critical re-examination. That the myth of the big, heartless corporation must give way to more moderate discourse. That we must allow more elbow-room to the marketplace, not only as the "idiot servant" but actually as a prime mover. Napolitano has made a major cultural leap. I cannot say, however, that it will become the rule in the PCI. If that should happen, it would be important indeed to the unity of the left.

[Question] Right now, though, you are sharing the government with the DC. The Christian Democrats are confused in everything, and have at least two heads when it comes to economics...

[Answer] The DC is an interclass party, rooted in an ideology based on solidarity. It achieves its interclass status in two very different ways. The first is the traditional -- we might call it the Dorothean -- mode, and it is a neo-mercantilist philosophy: everybody has his own turf. It is, however, different from that of the PCI: it has more market in it, and less State. And it is a line that leads to perverted forms of welfarism, which have eaten away the Italian economy and into which, unfortunately, in earlier times we Socialists fell, too, as into so many deadfalls.

Andreatta? Better Him Than the Old DC!

[Question] Then there's Andreotta, there are people who will accept healthy ground-rules.

[Answer] Andreotta's position has a rigor, a spareness of its own. But there is a Reaganist element in it, as well: a tendency to do too many new and startling things at once, to come up with sudden unexpected turns rather than certainties. I don't know whether this is something in him personally, or whether it stems from the trouble he has getting his line a hearing in the DC. His line -- in any case, his current line -- (a year ago he had a different one) is certainly a marked improvement over the DC's welfareist line.

[Question] In other words, Bettino Craxi's new PSI likes a very rational, almost La Malfian economics...

[Answer] Actually, we are in fairly good tune these days with the Republicans (PRI) on economic policy, partly because the Republicans have done some improvement themselves. The key point on which we agree is Giorgio La Malfa's 3-year plan; it is a moderate plan, a plan that is qualitative, not merely quantitative, like those "re-entry plans" La Malfa used to come up with a few years back at European Economic Policy Center (CEEP). In those days, he was too heavy on the deflationary side. Now, though, his 3-year plan is right on target. What we don't like about the PRI, though, is its summit-oriented attitude: the social contract pushed to extremes that conflicts with the requisite pluralism (and which is something quite different and distinct from the anti-inflationary agreement), is excessive preference for the private mega-corporation or the grand-scale financial operation.

[Question] If you like the Republicans' rationalism, you can't think very highly of Pietro Longo's Social Democratic Party, an embarrassing neighbor that competes with the DC over which can beat the other at welfareism...

[Answer] Let's leave personalities out of this, even though the ironic barbs shot at them stem precisely from the contrast between the nobility of the "Social Democrat" name with its ties to Rosa Luxemburg, and the stark reality. It is true, in any case, that some of his sallies -- like the one on pensioners and retirees -- can give rise to concern because they seem to be transposing welfareist logic from the Catholic into the secular key. It would be closer to the truth to say that the PSDI is the voice of the lower middle class and its complaints. We can always hope that it will manage a leap into rationality on this social issue.

[Question] Rigor, then: all-out rigor. But will it really turn out that way? After all, in the last government, some of your ministers subscribed to some pretty spendthrift proposals. And you had some hot differences with that historic repository of economic rationality, the Bank of Italy.

[Answer] Though a minister here and there may have been a little too open-handed, it seems to me that things have become a little more rigorous of late. As for the Bank of Italy, I have only one thing to say: whenever Craxi and I get to talking about it, the PSI secretary himself evinces the greatest respect for the men who run it and for their views. True, some comrades have from time to time voiced criticism of the Via Nazionale, as in the case of the "terns" for bank appointments; but that comrade let himself get carried away.

[Question] One of the odd things about the PSI, which sometimes gives you the feeling that it is a party with a schizophrenic economic policy, is that its labor members belong to all three federations, most of them to the UIL and the CGIL. And they take different positions.

[Answer] That's true. It is a complex situation. Even though right now it seems to be clearing up somewhat, for various reasons. The first and overriding reason is that there is only one labor organization today that has a clear-cut economic policy, and that is the UIL. A line of full employment, moderated by its option for economic rationality, efficiency, and professionalism.

[Question] But you also have the CGIL, even though the socialist contingent there, more or less 20 percent of the membership, has very little clout.

[Answer] Very little, unfortunately. The CGIL today seems to me to be a prey of obscure dogmas. It has gone backwards since the days when Luigi Lama brought it into the present. It has gone back to saying: hands off anybody's job, believing perhaps that it is enough to be in the factory to protect jobs; to saying no to any kind of mobility; to hammering away obsessively on a dogmatic defense of the escalator clause; to saying that all corporations must remain in government hands; that cutting spending and costs is out of the question. And then, mindlessly, to complain because there are deficits and inflation. This antagonistic, confrontational line is very dangerous, because it lends itself to manipulation by splinter groups (and they, in turn, are easy prey for terrorists). And furthermore, it is a losing line from an economic point of view.

[Question] So the PSI thinks there is only one labor federation with a clear-cut economic line, and that that is the UIL. Then what about the CISL?

[Answer] What a god-awful mess! They seemed to have made some rational decisions, like their "12 points" of some months ago, and especially Tarantelli's proposal about the escalator clause. But now they seem to have turned extremist, against their own platform. And then to think that Carniti belongs to Andreatta's faction!

Some Advice for Spadolini

[Question] All this pulling and hauling between the labor federations is about to pull the roof down around the government's ears. For the

Via del Corso's notion of the unions, of the CGIL and the CISL, is a worrisome one, when you remember that we are on the brink of getting that long-dreamed-of anti-inflation agreement. What advice would the PSI offer Spadolini for the coming weeks?

[Answer] Spadolini has already done a great deal for the economy. He has reformed the prime minister's office, which will allow him to move with authority on economic issues and to keep the other ministers from running off in twenty different directions. And he has built himself a tremendous backlog of confidence with the labor unions, stepping in to keep Confindustria from cancelling the escalator-clause agreement, postponing the deadline for fair rentals until after the holidays, and appealing to retailers to hold back price rises now. From here on, it is up to the three labor federations to act reasonably and responsibly.

[Question] What if they don't?

[Answer] Spadolini would have to take unilateral measures, for example by strict application of the European Economic Community's directive calling for lowering some of the steps on the wage escalator.

[Question] Wouldn't that be a totalitarian move, hard to understand in a "partnership democracy," such as Italy now is?

[Answer] No. The frantic quest for consensus leads to paralysis in decision-making. Hence to make that decision would be an act of responsibility. And of governability.

6182

CSO: 3104/379

VAN AGT ON NEW GOVERNMENT, COALITION PARTNERS

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[Interview with Prime Minister Dries Van Agt on the last day of the cabinet formation, by Dieudonnee Ten Berge, date and location of the interview not given.]

[Text] "Must I forbid the people to believe in me?" The speaker is the man who is about to become the prime minister, for the second time, of a cabinet in which Den Uyl and his party are also going to sit. A fighting cabinet, as he himself once called it. Dries Van Agt is both loved and reviled. However, he is far from sure that the cabinet which is now being made up will continue to sit for the full 4 years, so he said to Dieudonnee Ten Berge. On the last hectic day of the cabinet information she had an exclusive interview with Prime Minister Dries Van Agt.

[Question] You put stiff demands for the financial and socio-economic part of the coalition agreement. And yet under your leadership the financing deficit ran up tremendously, to the present total of 25 billion guilders. What right do you really have to talk?

[Answer] "You must not forget that the economy got out of hand in the years before we came in. And to put it in a well known figure of speech: A supertanker cannot be turned with a brisk turn of the wheel. That calls for careful maneuvering. It takes a few years first before the ship can be back on a proper course. Now, if you understand that the Den Uyl cabinet let government spending go screaming out of control, that a number of mechanisms were set in operation under Den Uyl which could not be brought to an immediate halt, that explains many of the problems with which we were faced."

[Question] But then when did you wake up? For there were Christian Democrats in the Den Uyl cabinet, too, and you were one of them. Thus you are partly responsible for the explosive increase in spending.

[Answer] "Without any doubt. It took far too long in this country for the people in national politics, with a few exceptions, to begin to understand that we were headed for a financial crunch. There were prophets in the wilderness, as early as the beginning of the seventies. Harry Notenboom is a single example of them. But how many years did that man have to preach without finding any believers?"

[Question] But you still have not said how the people are supposed to have any faith in the CDA on that point, if the CDA itself has such dirty hands?

[Answer] "Because the CDA, too, even though it bears part of the responsibility for the overexpansion of government spending in the past decade and earlier, has now come to the realization and shown that it has come to the realization that the tiller must be put over. Too late, yes. With hesitation even yet in many minds and hearts, also admittedly. But the people in the CDA leadership have not only attained that insight, finally, if you like, but they are also paying attention to it."

[Question] Then Andriessen, another CDA member, is now really getting his own way?

[Answer] "Frans Andriessen was right. His resignation was a delayed reaction to the damage that our Specifications Plan had suffered in the Second Chamber in the spring of 1979. Since that spring, a certain amount of discouragement has also crept into the members of the cabinet, for an experience like the one we had with the chamber in 1979 has naturally had its continuing effects on what remained of courage and impulsiveness. We just could not get the people to go along. In the chamber. Completely inadequate. Even today it is still difficult, but it is better. A number of matters have become mentionable which were then completely in the realm of the tabu. One of those is not leaving intact the buying power of the people receiving the minimum income. Many now feel that to be quite normal, but that has only been very recently."

[Question] Good. Now you want to save 4.5 billion [guilders]. If you read the recommendations of the Netherlands Bank, the employers and the Central Planning Bureau, that is about the absolute minimum of what has to be done. Despite this 4.5 billion, are we still going to get a policy of slipshod half measures?

[Answer] "I believe as you do that 4.5 billion is really too little. On the other hand, there is the fact that in the coming year of 1982, only a few months away, it will be seen that a higher figure could not be realized. So we have to be satisfied with what can still be achieved. But then do it! And further: If we achieve this alteration, a policy will be set in motion the extension of which will show further to be less difficult. Then the barriers are shattered."

[Question] Is not all of this figuring with billions a bit chilly? A cool financial calculation. After all, we are dealing with people?

[Answer] "Anyone who hears talk about the size of the financing deficit finds it very easy to think of a dry twig of a bookkeeper who is busy trying to get his books to close, without considering the social repercussions of whatever is necessary for him to close. But what is really involved? To make up that enormous deficit, which is already 25 billion [guilders], the government has to borrow enormous sums of money each year. That has the result that the interest burden alone on the national budget rises by about 2.25 billion guilders each year. That is just the annual increase in the interest to be paid, the fallout from the solution. And then very little imagination is required to visualize what a horrendous waste of public money is involved here. For what nice things could not be done with these enormous sums? Sums which are now totally lost in interest. But there is more. The budget deficit is so large that the government has to borrow so much that this in turn places too

great a demand on the capital market. Partly as a result of that, it is the government itself which is forcing interest rates up to far too great a height. Well, then, every percent of interest costs industry 1 billion more in overhead. Thus industry can scarcely find affordable money any longer to make investments by which employment is maintained or created. Thus there is a clear and direct relationship between the budget deficit and employment on the long term. For too long the government has not cared at all about the decline of the economy, which has contributed to the injury to industry and is now also harming the government itself."

[Question] What guarantees can you give, then, that that process will be stopped?

[Answer] "That can only be done by stern measures. Stern measures can only be taken at the beginning of a cabinet period, because after a few years the politicians begin once again to cast a fearful eye toward the coming elections. And those stern measures can only be taken at the beginning of a cabinet period if clear agreements have been reached during the formation of the cabinet. I am therefore convinced that unless we reach clear agreements, it will not happen in the coming 4 years and we will enter fully into financial and therefore social perdition."

Those clear agreements seem to have been reached after all. Den Uyl has had to agree to most of the CDA's demands, on pain of 4 more years of opposition. The CDA, however, has also made one important concession. Den Uyl is being allowed to close his political career as job czar. That bill will not be tendered to the coming cabinet. The higher incomes will have to put up the funds for Den Uyl. Even though everyone says that there must be no further leveling, there will be stiff leveling again.

Den Uyl did have to make concessions, when it became clear that the CDA was more likely to stiffen its position than to dilute it.

Lubbers, the flexible negotiator, was kept up to the mark by Van Agt.

[Question] The CDA continues to show signs of being a divided club. How reliable is the CDA now as a coalition partner? What trust can the people have in the CDA?

[Answer] "Let me say this for the CDA. Christian Democrats have been bearing the burden of governmental responsibility for years now. This country has the existence of Christian Democratic politics to thank for the whole century's stability in the national government. The continued carrying of that burden is no sinecure, and certainly not in times like the ones in which we live. From time to time there is fatigue in our ranks, and from time to time doubts about the correctness of the policies which have been followed or are to be followed. The CDA is in the middle, and that puts it in a difficult position. To form a majority, it must turn to the right or to the left, and that means having to make choices constantly. In a delegation as large as the CDA's it is no more than logical to expect that not everyone will make the same choice all of the time. It is generally called brawling. Or pouting. But other delegations do not face the same kind of choices. One big advantage of the CDA is that the freedom of expression can be practiced on a grand scale. But a decision is always reached, and despite the differences of opinion, the CDA pursues consistent policies. That has been shown in the past, and can be a guarantee for the future. But: It is tiring."

[Question] Den Uyl is very insistent on offering the people a connection between retrenchment and employment. He therefore also desires an employment program which can be begun in a short time. You are very much against that. Your position may very well seem "cold."

[Answer] "I believe that it is downright evil to keep the people believing in the illusion that it would be possible to bring about extensive and lasting improvements in the employment situation of tomorrow by means of rigorous planning which we can do today. It is just too bad, not to say tragic, to have it said by people with as great insight and as extensive knowledge of the way things work as Joop Den Uyl--and one takes it up from the next--that such a thing is possible, that within a scant half year you could come up with an employment plan through which the deplorable social and economic situation in this country would be changed thoroughly in the space of a year and a half. The reason that this is such a dangerous illusion is that the frustration entailed by the failure of the plan would necessarily be very deep. That would have a very demotivating effect. It would take away the people's belief, what little they have left of it, that their governors can mean anything for them. Much more realistic expositions must be put before the people. The choice which the politicians must make in the coming months, and which they can no longer avoid, is that between instant success, short-term work, tinsel, and difficult, incisive measures placing great demands on the people's patience, which will bring about a genuine structural revision of the situation over a period of time. The Wagner report states that quite clearly. Joop Den Uyl's story is a dangerous one because it maintains an illusion."

[Question] D'66 leader Terlouw said at the latest advisory council of his party that sometimes he is closer to the CDA than the PvdA in substance, but that he liked the PvdA's style much better. How do you like the style of the D'66?

[Answer] "For quite a few weeks I have been engaged in negotiations, some of them with the political leader of the D'66. Look, if style is: Giving up whenever difficulties threaten, backing off whenever Uncle Joop [Den Uyl] snorts, if those are the criteria for stylish politics, in fact: Then I have been very unstylish."

[Question] But then could you work with Jan Terlouw?

[Answer] "I should think so. He carries a great number of reasonable and practicable ideas around with him. It must be possible to work out a policy plan for the near future based on the actual needs and requirements together with the D'66."

[Question] A year ago, speaking of D'66, you told ELSEVIER, "What kind of clothes has the emperor got?" Have you found out what kind of clothes D'66 has on?

[Answer] "The cut and tailoring of the [D'66's] ideological clothing are still not extremely clear to me. In the area of social-economic and financial policy, they have announced a number of ideas which are strongly allied with ours and which are worth the trouble to carry out together. D'66 also seems to me to be a responsible party. It is noteworthy, though, that the VVD does not reject [a coalition with] the D'66, while the D'66 does reject the VVD [as a possible coalition partner], at least in combination with us. The mutual exclusion of political parties which could be called together to carry the responsibility of government is not good, it is itself to be rejected. It is a shame, too: In doing so, the D'66 made the combination CDA-VVD-D'66 practically impossible. While in the opinion of many that combination would be more fitting to the election results than any other combination whatsoever. At least, in my opinion that is a defensible opinion."

[Question] The impression exists that you are more popular in the country than you are in the Second Chamber. Also, that you are better liked among the CDA membership than among the CDA delegation. Now, support from the country is important, but first of all you have to work with support from parliament.

[Answer] "On the longer term, in a position like mine, you cannot function in a way that is not supported by at least a clear majority of your own delegation. I have already said that more contact with our own delegation is needed. I will do my best to get that. I had also better expect a certain amount of frustration with the delegation."

[Question] How do you react to charges that you are too populist? There are people who say that you behave Gaullistically.

[Answer] "Must I forbid the people to believe in me?"

[Question] But you do clearly make an appeal to the people in the country from time to time?

[Answer] "Yes, that is imputed to me, that is said of me. That is attributed to me. I am not conscious of ever having made an appeal to the CDA voters in the past months. For example, this last time: I was really sick. And I had every right to be after all I had gone through. And then: I did not just walk away. I wrote a letter clearly stating the reasons why."

[Question] When will the next elections be?

[Answer] "I dare not guarantee that the possibility the election law offers, that is, that of waiting 4 years from today, will be used to the fullest."

6940

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GOVERNMENT'S LABOR PROGRAM LACKS CONSENSUS

Lisbon O JORNAL in Portuguese 18 Sep 81 p 4

[Article by Jose Pedro Castanheira: "Differences Among the Majority on Labor Legislation"]

[Text] The revision of the labor legislation has become one of the Balsemao government's major predilections. However, the undertaking appears to be far from peaceful. The differences among the majority reached a height even before the government's program was approved. And, outside, the left and the trade unions in particular are awaiting their turn to enter the scene. At present, the battle signal has been given by the prime minister, in the very speech introducing the government's program.

The program for the labor and employment sector is the shortest of all those submitted to Parliament thus far; a text that we might call copied from the programs of the previous Democratic Alliance [AD] executive branches: One suspects the legacy of Nascimento Rodriguez in the part concerning labor, and the continuity lent by Luis Morales in the chapter on employment.

There are no real innovations: the usual professional of faith in the autonomy of the social partners; the plan to revise the labor legislation which dates back to the time of Mota Pinto; the promise, reiterated from Nascimento Rodriguez, of an annual revision of the minimum wage law; the opening of the Institute of Employment and Occupational Training, the fond desire of Luis Morales.

If there were anything new, it would, after all, be the abandonment of any reference to tripartism and to dialog with the social partners. It is true that the stipulation thereof in the government program, of itself, would not represent adherence to the philosophy of tripartism: for example, consider the Marques de Carvalho administration. But after the developments introduced by Nascimento Rodrigues into the proposition of the so-called extended social dialog, their mere omission from the program of the Eighth Constitutional Government is a clear sign of the style that will be lent to the Ministry of Labor, which will very likely tend to elude the control of the respective minister.

Balsemao's Aggressiveness

In fact, it is the conviction of political circles close to PSD [Social Democratic Party] that Queiros Martins does not have the qualities required for the type of management that the government will demand of the Ministry of Labor. The best

evidence of this potential imbalance may have been the speech introducing the government's program itself, which was delivered by Pinto Balsemao on Monday, and which set the tone of the debate on the labor sector. Without interspersing any criticism of business owners, the prime minister was consistently hard on the workers, even exceeding the bounds of abuse. "The need to put a final end to the swarm of parasites who are sucking the sweat and toil of those insistent upon making our country a developed community": This, for example, was how, as the leader of AD, he justified the plan to revise the law on layoffs.

At another juncture, in reference to public servants, and after having described them as an "elite caste," he called attention to their "mission of collective service" while at the same time reviving the famous "cadre of attaches."

But in addition to the excessive aggressiveness of the speech, Pinto Balsemao introduced a surprise: the announcement of the revision of the law on strikes, in the direction of making it what he termed "an instrument for struggle without abusive partisan manipulation, so that its use will be translated into progress."

Differences Among the Majority

This reference by Balsemao to the strike law is all the more significant in that it discloses differences within the government itself, at least with regard to labor legislation. In the view of Queiros Martins (asserted in the interview that O JORNAL published in the last issue, and reaffirmed on television's Channel 2 last Tuesday), the strike law will not undergo any change. As is evident, this differs from the viewpoint of the head of the government who, in his address, also made no reference to a change in the law on term contracts. Now the minister of labor has upheld the revision of the law on layoffs, but "counterbalanced" with that on term contracts.

But where the differences gained greater dimensions and notoriety was among some of the social sectors backing the government. Professional social scientists from PSD and trade unionists from Tesireds have already sent their message to Balsemao: no to a change in the strike law, and a careful revision of the labor legislation. The opposite view was expressed by the Portuguese Industry Confederation [CIP] which, at a press conference, came out against Portugal's entry into the EEC (see article elsewhere), and called for a drastic change in the labor laws. Strikes, lockouts, work contracts, collective regulations, absences, trade union law and workers commissions: these are the areas which should be revised, in the CIP's opinion. The general director of that management confederation, Rene Cordeiro, explained the significance of that revision in an important article published in the last issue of EXPRESSO.

A Psychological Question

Thus, the labor legislation has become a genuine major issue both within and outside of the majority in the government, one that will certainly determine the country's political and social evolution until the year's end.

The necessity for its revision is felt within the government in a rather diffuse and never entirely justified manner; because it is not enough to say (as Pinto

Balsemao did in Parliament) that "the present labor legislation lacks the potential to restart economic activity." And in Labor Ministry circles, as well as in other state departments, it is well known that the essential problem of the Portuguese economy has little or nothing to do with the labor legislation. It is, after all, and primarily, a psychological problem involving investors and business owners. And it may be in the government's interest to take maximum advantage of this factor, which runs the risk of losing its impact with the passage of time. Hence the haste to carry out the promised revision, predicting that the first package will be ready by October.

We have learned that layoffs with just cause, term contracts, work schedules and vacations, and holidays and absences, will be the first topics considered. Some will be treated in a decree-law, for which the government is responsible; others will be the subject of a bill to be submitted to the Assembly of the Republic. The latter will certainly include (as the labor minister himself disclosed to O JORNAL) layoffs and term contracts. A public debate and the traditional consultation of the trade union organizations will precede the final decision which, according to a member of the government, will be in a more "moderate" direction than the one which might be anticipated.

Be that as it may, the change in the legislation will meet with opposition, both from the leftist political forces and the trade union organizations. It remains to be seen whether they will have the capacity to wield a significant influence on the content of the revision.

2909

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NEWLY FORMED GOVERNMENT FORMULATES BROAD PROGRAM

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[Text] The program of the Eighth Government, disseminated to the deputies at Sao Bento yesterday, calls for the construction of "a state of democratic law", the recovery and development of the economy and the promotion of social reformism. The introduction to the text, which consists of nearly 35,000 words, states: "Each of the three areas assumes essential importance in the government's plans to guarantee the Portuguese people democracy, liberty, social justice and economic progress." The government claims that, in this way, it is attempting to fulfill "the constant promises in the AD [Democratic Alliance] electoral program" and to "follow up the action of the two executive branches that preceded it." The text adds: "In the areas cited (state of law, economy and social reforms), all aspects are entitled to development in this program, just as they should be entitled to fitting execution in the future."

The program states: "Four priorities will guide the government's action, as may be inferred from the policy statement made by the prime minister himself to the Assembly of the Republic;" and then refers to the policy on housing, exports, agricultural production and regionalization.

In the three areas indicated by the government, there are the four following priorities:

"Promotion of a housing policy which will amend shortages and serious inequalities among the Portuguese people.

"The launching of a new dynamics for the export policy, gaining and consolidating markets and contributing to the reduction of the external financial imbalance.

"The implementation of a policy to foster agricultural production, which is also critical to the external balance, and simultaneously essential to the transformation of the rural structures.

"The start-up of a regionalization policy that will establish and reinforce the local government and foster more intensive participation by the citizens in the process of institutionalizing democracy."

The introduction concludes by stating: "At the beginning of the 1980's, democratizing, developing and reforming are the challenges entailed in the construction of a different Portugal."

Defense: Armed Forces Subordinate to the Political Authority

Laws on military service and conscientious objectors are two of the bills included within a group to be submitted simultaneously with the elaboration of the constitutional revision.

The organization of national defense and the organic structure of the Defense Ministry complete the list of four legislative priorities of the Balsemao cabinet in this area.

The chapter devoted to defense begins by stressing that the assigning of this ministry to Vice Prime Minister Freitas do Amaral "constitutes irrefutable proof" of the importance that the ministry has in the government, from the standpoint of "preparing for the end of the period of constitutional transition."

Quality of Life: National Management of Natural Resources

In the chapter relating to the quality of life, it states that the respective improvement is "the ultimate goal of the policies of economic and cultural development and prosperity" of the executive branch.

According to the government, a requirement for that goal is "a rational management of the natural resources, the progressive appreciation of the territory's potential and a regional development policy that is based on the integrated programs for territorial regulation."

Specifically, "we must put an end, as soon as possible, to the disorderly expansion of economic activities and to the destruction of the common patrimony, reconsider the dimensions of the interventions in the territory and prevent the neglect of many valuable resources."

The government also proposes to carry out a policy of "recreation for everyone and protection and defense for the consumer," the latter through the creation, within a short time, of an Institute for Consumer Protection, and the revision of the legislation on the subject, "including advertising activity and the unfair or restrictive practices relating to competition."

It announces a "policy for management of the quality of the air in special areas," guaranteed by "air management commissions," and the control of atmospheric pollution in "specific sources" located outside of the realm of those organs.

Along the same line, it announces the battle against noise pollution, the establishment of objectives for water quantity and quality, the revision of the legislation on the protection of living soil, the control of harmful chemical products, the maintenance of ecological processes to regulate weather and the development of environmental education "on all levels."

In the chapter on "recreation for everyone," the government promises to give an incentive for the training of leaders and for the improvement of the facilities, the equipment and the organic structure of the sector, with an updating of the legislation, and backing for high-level competition and international cooperation, specifically in the area of the Council of Europe.

As for consumer protection, it calls for "close cooperation" between the general directorates and the Directorate of Economic Supervision, and the announced Institute for Consumer Protection.

Economy and Finance: Increasing Income and Combating Unemployment

Improving the population's living conditions, increasing real income and combating unemployment, together, constitute the first objective of the total economic policy included in the program.

The government also intends to progress in meeting the population's basic needs, both material and those associated with education, occupational training and culture.

Other objectives that the government proposes to attain are the rebalancing of the process of developing the Portuguese economy in particular, and the clarification of the context of its function, as well as the strengthening of the market's mechanisms.

The last major objective included in the program is the planning and execution of the economic and social structural changes that will equip the country to take proper advantage of the potential for progress that will result from joining the EEC.

The executive branch proposes to pursue the policy of cutting the rates of some taxes, "following the tax policy that has been carried out by governments of the Democratic Alliance."

The government underscores the need to reform the Portuguese tax system with a view toward Portugal's entry into the EEC, specifically by introducing single taxes on the income of individuals and firms, and on added value.

The government claims that this necessity will not impede a prompt undertaking of the legislative and administrative reforms in the present system, so as to achieve a suitable transition toward the new system.

The second government of Pinto Balsemao intends "to continue an intensive battle against tax evasion and fraud."

In the area of budgetary policy, the government proposes to reduce the budget deficit by curbing the expansion of public spending, and requiring greater austerity in the spending of public agencies and services.

The government plans to grant subsidies to public enterprises on the basis of "the social usefulness of the services that they render."

It is also considered necessary to reanalyze the role of the banking system in the national financial system, to find readjustments to be made, both in dimensions and in specialization on the part of the institutions.

Concurrently, it is thought that the parbank institutions should be given redoubled attention, inasmuch as "they could fill some gaps in the system."

The government intends to revitalize the financial and capital markets, and to diversify the instruments of monetary policy, so as to deal with the main objective of the economic policy over the short term, which is again the problem of the balance of payments.

The program states: "The instrument of the interest rate has been the object of renewed attention, since it has been found that the quantitative limits on credit are experiencing some inadequacies which must be compensated for."

The government also expresses its intention of promoting the restructuring of the insurance system.

Moreover, the program calls for a reduction in the rate of increase of prices in Portugal to levels close to those prevailing in the European Economic Community.

For this purpose, the government states that it will monitor the formation of prices, taking into consideration the degree of competition that exists in the different markets, and not interfering with a policy which must tend toward the implementation of real prices, because of the excessive cost of the policy of subsidies.

The government declares that, in order to curb price hikes to the maximum extent, and to protect the consumer, it will reinforce the economic supervision and will correct the market situations wherein competition is not active.

According to the government, the policy on income should preserve the purchasing power of the population, particularly that of its most underprivileged classes.

The wage policy must be harmonized with the inflation rate, and wages must also be corrected on the basis of the changes in productivity, but at all times guaranteeing the external competitiveness of the economy.

As for the management of the enterprises in the state enterprise sector, it must be guided, like that of the private enterprises in the sector, by the regulatory framework that prevails in the sector in which they are located.

For this purpose, the government claims that it is necessary to replace "a casuistic protection fostering lack of responsibility with a management control based on quantified objectives and on programs geared to the potential of the enterprise."

The government deems it necessary to reduce the size of the SEE [State Enterprise Sector], claiming that it has been prevented "in the constitutional realm from making nationalized enterprises private again," despite the fact that, in many instances, state ownership thereof is not justified.

Internal Administration: Regionalization Is a Priority

The launching of the process of regionalizing the country is considered a priority.

The document notes that it is not just a matter of waiting for approval from the Assembly of the Republic of bills on the subject, but that other legal proposals will be submitted by the government "in order to consolidate the more ambitious goal of regionalization."

These proposals call for a referendum, establishing the actual basic organs "which will give the regions a voice, insuring the link between the central administration and the new local power structures."

The government will "promote the decentralization of functions on the part of the central administration, supplementing the first steps taken on the path of decentralization on a national scale."

An attempt is being made to create conditions that will make it possible for the reforms to be undertaken "to be accompanied by an extensive national debate with the greatest possible participation."

The document goes on to say: "The government will promote the Center for Local Study and Training, which will soon start a series of activities involving training and backing for the local management activity."

The program is aimed at a complete revision of the legislation on local authority, "for which purpose it has begun by appointing the commission responsible for devising the new Administrative Code."

As an immediate concern, in this chapter, the government cites the revision of the Law on Local Finances and the progress in demarcating authority relating to investments.

The document upholds the fostering of voluntary association among the local governments "so as to take better advantage of the human and material resources."

The National Association of Municipalities will be created, "as the establishment of actual representative status for the local governments in the political, social, economic and administrative context of the country."

Through the proposals to be submitted to the Assembly of the Republic, steps will be taken to revise the law on the electoral census and the process of local government elections.

Insofar as the security forces and services are concerned, the government has as a goal the streamlining of the material and organizational infrastructures in existence, with the inherent reinforcement of the coordination and administration of the police forces.

In this connection, a bill relating to the missions and measures of the police will be submitted to the Assembly of the Republic.

With respect to the problem of fires, the government asserts that it will initiate a set of combined measures, ranging from improved supplies of resources and equipment for the fire-fighting entities to more effective surveillance and patrolling, and the curbing of increased criminal behavior.

The program reiterates the commitment made by AD regarding the autonomy and development of Madeira and the Azores.

According to the text, the government intends to approve and promptly execute the decree-laws "on the creation of the duty-free zone of Santa Maria, the office for the development of the Santa Catarina airport and the regional centers of the RDP [Portuguese Radio Broadcasting System], RTP [Portuguese Radio-Television System] and ANOP [Portuguese News Agency] public enterprises."

The text states that these measures were agreed upon with the regional governors on the occasion of the prime minister's visit to Madeira in May, and to the Azores in June.

"To institutionalize mechanisms for permanent, mutual information and cooperation in the areas of financial and economic policy, to review the entire system of air and sea transportation and to provide total coverage of the autonomous regions by radio and television" are measures cited in the text as priorities.

The chapter reserved for the autonomous regions ends with the government's acknowledgment that it is up to the individual organs of those regions "to determine the specific interests associated with the international negotiations that relate to them."

Justice: Decision and Commitment

The chapter in the Eighth Government's program devoted to the justice system states that "abiding by the law must never consist of mere submission."

The document remarks: "On the contrary, it should represent a decision and a commitment."

The goals of the executive branch in this chapter are divided into two sections: that of administrative reform, and that of intervention in the life of the society.

It is proposed to promote a study of the social and constitutional possibility of reviewing the law on the family, and of adjusting the area of the law on possessions.

The realm of commercial firms is another area in which changes are announced, calling for a "complete modernization" with a view toward Portugal's entry into the EEC.

For criminal law, it is suggested that there be a reorganization of prison services, a revision of the entire policy on prison and post-prison assistance and a change in the operation of the institutes of criminology.

For the Judicial Police, it is planned to undertake their territorial expansion, and the termination of the reform of the centers associated with the drug trafficking problem to avoid the overlapping of authority is announced.

It is announced that the use of information science "will be developed on various levels, making the rights of the citizens and the exercise of their liberties compatible with the need imposed by the very social body to which they belong for collecting and treating information relating to them with the use of automatic processing."

In the realm of administrative reform, it advocates "modernization and debureaucratization of essential public services."

The document states that this is because public administration "needs to be increasingly freed from conservatism, thus accepting the challenge of progress," specifically in the "preparation for the implications of Portugal's membership in the European communities, and also in the launching of an innovative process of regionalization of the country."

In this chapter, the document calls for "a combined activity on the highest level, to achieve a close connection among all government departments."

Considered as priority activities in this area, among others, are steps toward "a systematic legislative revision of areas common to all public administration aimed at making it uniform and codified."

Also cited is the revision of legislation on powers and authority in the area of the central and local administration, and the continued preparation of the Free Administrative Process Code.

An attempt is being made to foster the streamlining and simplification of work processes and methods, and the rational use of information science in public administration.

The program cites the intention of encouraging the use of cost and efficiency analysis systems in public services, "aimed at modernizing management, specifically through the participatory devising of management plans."

It is also sought to promote a policy of departmental and interdepartmental mobility, and to check the increase in personnel in public administration, while taking steps to streamline those in existence.

For the purpose of "removing obstacles of an institutional nature," a study will be made of "methods of associating the various state organs of political power," aimed at "a more effective harmonizing of the policy established to improve budget management, to cut public spending and to streamline facilities and equipment."

Finally, it mentions the increase in an "intensive cooperation and association" with the justice services, relating to all aspects of legislative revision and codification, and simplification of procedures.

Foreign Policy

In foreign policy, integration into Europe and fidelity toward the Atlantic Alliance are the fundamental goals.

According to the text, however, this position does not change the government's view that Portuguese foreign policy should serve primarily the political, economic and cultural interests of Portugal.

The reinforcement of Portugal's traditional alliances is warranted by the international situation which, the executive branch claims, is marked "by the major East-West confrontation and by a deepening of the mutual gap and lack of understanding that have typified the North-South dialog."

The program states that the foreign policy will be devised and executed by the government with respect for the specific authority of the president of the republic, the Assembly of the Republic and the Council of the Revolution.

In the international realm, the program calls for reinforcement of the cooperation with the Council of Europe, with Portugal assuming the role on which recent history has conferred legitimacy in the struggle for internal and international protection of human rights.

In connection with NATO, the program admits that, in this regard, Portugal will have in the organization "a complete and active participation, because it considers it a vitally important organization both for its own defense and the defense of Western Europe, to whose value system it adheres and to whose organization it belongs and wishes to continue belonging."

The government favors "the country's more intensive and fitting participation in the various agencies, both military and civilian, of the Atlantic Alliance."

The government's text adds that this would take place through "complete fulfillment of the commitments that have been assumed, its goal at all times being the protection of the national interests."

"The government expects from its allies respect for Portugal's own positions and problems and, in particular, clearcut support for the reequipping of our Armed Forces, aimed at their indispensable modernization and at reinforcement of the national security, which the evolution of the international situation has made increasingly necessary."

The executive branch states that the reequipping of the Armed Forces will continue "based on the resources allowed by the budgetary policy, so as to equip them for the effective discharge of their missions."

It will continue "the national policy on military goods and services, or those related to national defense, which the previous Democratic Alliance governments began to establish."

As for European integration, the program considers it one of the main goals to be attained; however, it is aware of the requisites that the process imposes from an economic and political standpoint.

The government is of the opinion that there is no justification for a "deviation from the path resulting from an option which is rooted in the national interest

and in the nature of our culture, and which was accepted by such a large consensus of the political forces representing the majority of the Portuguese people."

The government's program states that the negotiations have two essential components: the internal and the external.

Externally, the negotiations will continue, to establish transitional periods for the application of the community standards to the Portuguese economy and to promote the progressive adjustment of the structures of the Portuguese economy.

Internally, the government is of the opinion that the membership process contains "dynamics for transformation and modernization of the Portuguese economy and society entailing a total effort for effective, timely adjustment."

The government intends to hasten the process of using the funds which the EEC granted to Portugal in connection with the pre-membership assistance program.

With respect to the relations with the former colonies, it states: "The relations with Angola, Mozambique, Sao Tome and Principe, Guinea-Bissau and Cape Verde are experiencing a high point in understanding, mutual association and even the execution of mutual action, which the government intends to maintain and, if possible, even improve."

In this chapter, the executive branch states that it will maintain and intensify those bonds on the basis of a state-to-state relationship, without interference in the internal affairs of either party.

The text continues: "The government will attempt in particular to be programmatic; and so, while simultaneously backing the expansion of trade relations and scientific and technical cooperation with these states, it will intensify the cooperation in the cultural and educational fields."

As for East Timor, the initiatives considered feasible are aimed at allowing the people "complete fulfillment of their most legitimate rights and aspirations, in accordance with the principles of the United Nations Charter."

The program also remarks: "This action will be taken in the bilateral and multilateral areas, with the care that the critical nature of the matter requires."

The intention of continuing to promote the necessary backing for the cultural and material progress of Macao is reaffirmed in the program.

The lines of action of the third AD government for Macao are aimed at preserving the age-old relations of good neighborliness with the People's Republic of China.

The document stresses the intention of increasing the cooperation with the government of that territory, especially in the areas of economic relations, transportation and communication, and reform of public administration.

The program states that the government will do everything to promote Macao and to protect its interests in our country.

The executive branch pledges to include, for the first time, in the medium-term plan, arrangements for the relations to be maintained and intensified with the territory.

Emigration: More Just Solutions

In the policy of support for emigrants, the document states that the executive branch will strive to have the legislation and administrative practices of the various countries establish more just and equitable solutions for the Portuguese, and not impose upon them unwarranted restrictions or sacrifices, or merely involuntary repatriation.

The program advocates the teaching of Portuguese abroad, to be handled by the Ministry of Education and the universities, as well as the adoption of special educational systems, including the occupational training of emigrants and their offspring.

The government also intends to expand and reinforce the forms of political participation for Portuguese emigrants, specifically with regard to a fitting parliamentary representation and participation in the election of the president of the republic.

The document declares that the government will intensify the regular exchange of news between Portugal and the various communities, so as to improve the reciprocal reporting.

Education and Culture: Attempting Modernization

According to the government program for education, modernization entails a revision of the content and sequential structure of the "curricula" for the first 9 years of schooling, with the development of vocational courses starting in the 10th year.

Also in this regard, it cites the preparation of the statute on educators and teaching personnel in the basic and secondary schools, the redefinition of the structures for managing the educational establishments and the creation of a course in school administration and organization.

The government promises to submit to Parliament a new Law on Bases of the Educational System, to reinforce university autonomy, to implement the National Adult Education Plan and to support private and cooperative education.

With regard to the expansion of the educational system, the government claims that it intends to maintain the rate of growth in pre-school education and to create conditions for the actual, total implementation of compulsory schooling.

The execution of the medium-term plan to expand the school facilities system and to reinforce the operation of polytechnical education, in order to enable the rate of access to higher education to rise from the current 11 percent to 18 percent by 1985, are also cited in the program.

The regionalization of the Ministry of Education's services is regarded as being essential in the government's program, aimed at greater participation by the population and an improvement in the efficiency of the services.

The establishment of general principles and the creation of standards will be assigned, preferably, to the ministry's central services, and it will be incumbent on the regional organs to undertake the daily running of the system's administration.

For the purpose of reinforcing and achieving these goals, the National Council on Education will be created, an organ of consultation and support aimed at guaranteeing "constant gearing of the educational system to the public interest."

As for the cultural sector, the search for a consensus that will allow for better identification of a Portuguese cultural image and personality is one of the main objectives.

To attain this goal, considering the fact that "Portuguese culture must be protected as a sovereign asset par excellence," the government intends to give a greater incentive to research in human and social sciences, especially the historical ones, to foster the publication of basic works related to Portuguese philosophy and culture, to commemorate the most prominent events in history and to publish a cultural guide to the country.

The preservation and safeguarding of the Portuguese language and culture, the intensification of cultural cooperation with foreign nations, especially the Portuguese-speaking countries, and the establishment of a cultural diplomacy, specifically within the area of UNESCO, are other steps announced by the government.

Rejecting a view based on "a corporate culture and isolated life," the government stresses the need for cultural participation, proposing for this purpose to create a data bank with backing from informational systems for cultural and scientific information, as well as a cultural pass, and to organize a genuine right to air time for cultural activity.

The third sector of the cultural policy is the dignification of cultural life and a stimulus for artistic and scientific creativity.

In this area, the government proposes to create the Statute on Artistic and Scientific Work, and a social security system for artistic employment, and to organize a semiannual arts and crafts fair, as well as thematic and retrospective exhibits.

The government will also create a line of credit with propitious terms for cultural or scientific investments considered to be a priority, to establish permanent rules for the awarding of subsidies and to back the publication of books by Portuguese authors of recognized literary quality.

A policy for the commissioning and acquisition of works of art by the state will also be established, and attention will be given to craftsmanship expressing popular culture. In this way, backing will be provided for musical ensembles, folk groups, and popular festivals and pilgrimages of a traditional nature.

The safeguarding, stock-taking, enhancement and revival of the cultural heritage and scientific equipment comprise another goal to be pursued by the government.

In this area, the government intends to implement immediately a plan for safety and protection against the risks of fire, theft and natural accidents, and to create a photographic file as a means of making a survey and a systematic stock-taking of the cultural heritage.

Moreover, it will establish the legal system for the architectural, historical, artistic and cultural assets. This system is aimed, among other things, at discouraging and penalizing transfers of Portuguese goods abroad, specifying the crimes against the patrimony and providing the private owners of cultural assets with credit and tax conditions that will enable them to assume their responsibilities.

The creation and building of museums of modern art and music, and support to the formation of regional museums is another goal of the government in this area.

To attain the objectives established in the program, the government will devise the organic law of the new Ministry of Culture and Scientific Coordination, and a basic law on research, review the Code on Copyrights, and review the legislation on public entertainment, particularly with regard to the safety conditions on the premises.

Labor: Responsible Democratization

In the realm of the Ministry of Labor, the administrative policy of the new government "will continue the responsible democratization of Portuguese society."

The program guarantees that, "The government's action, in the pursuit of a policy of administrative non-intervention, without authoritarianism or paternalism, will give priority to the creation of socio-labor conditions and will insure the autonomy of the social partners, so that the labor and management associations will discharge the function of protecting the interests which they represent with a necessarily conscious and dynamic heedfulness."

The wage policy will be pursued in harmony with the overall economic policy, and the government pledges in the program that it submitted to make an annual review of the "guaranteed minimum wage law" so that "the restoration of purchasing power will always be insured."

The government guarantees that the Ministry of Labor will reinforce the action in the area of selective support for the creation of jobs, "a reinforcement which, experience has shown, will now involve an incentive for, and preparation of investment plans, and also participation in association with the regional planning commissions and departments of the economic area, and the establishment of an investment projects bank, for which use may be made of young leaders properly guided by experienced experts."

The program distributed to the deputies also promises to give "special attention to occupational training."

The action of the executive branch in this area will take place "from the twofold perspective of a qualitative improvement in the training and an increase in the capacity for training to be pursued through a restructuring of the employment and occupational training services."

In the cooperative sector, the new staff of the Ministry of Labor guarantees the conclusion "of the legal instruments to establish the legal framework of the cooperatives."

The government also pledges that it "will continue the restructuring of the Antonio Sergio Institute for the cooperative sector," and that it will promote "necessary studies for the creation of a cooperative insurance entity that will combine the needs of the sector and the potential created and developed by the mutual insurance entities."

The program also mentions "the restoration of the Antonio Sergio House, installing therein the Center for Higher Cooperative Studies, and thus creating the conditions necessary for study and research on the cooperative movement."

Industry and Energy: Exploring Natural Resources

The key objective of the government's program released yesterday, for industry and energy, is to explore the natural resources, develop exports and reduce energy dependence.

To attain these goals, the government will submit to the Assembly of the Republic bills on mines and quarries, and will update the laws on mineral waters.

Also due to be submitted to the Assembly of the Republic is a bill on bases for industry, and there will be a stringent selection of the investment projects for the public sector.

It also intends to support small and medium-sized business firms, and to reinforce the relations with the countries whose official language is Portuguese.

In the energy area, the main activities planned are a guarantee for the country's energy needs over the short, medium and long terms, an incentive for saving on energy and the diversification of its types and sources.

The government attached top priority to exports, backing the competitive status of business firms, particularly small and medium-sized ones.

Social Affairs: Periodic Updating of Pensions

The head of the Ministry of Social Affairs guarantees in the government's program that he will submit to the Assembly of the Republic "a bill on social security bases."

In the realm of the same ministry, the program guarantees the periodic updating of pensions, allowances and subsidies, "with a view toward maintaining and, if possible, increasing the purchasing power of these beneficiaries."

The policy of those in charge of this ministry "will have as a basic unit the family, the mainstay of the future which we want to be better; because it is therein that the necessities acquire human and economic expression," states the program.

In the specific area of health, the government proposes to provide the sector "with the maximum possible budget, to develop the measures required for better use of the existing funds and to continue a policy that will rapidly set up new types of financing for health."

The government also guarantees that it will engage in "all activities aimed at creating the legislation relating to the National Institute of Health Care, the regional health administrations, the new organization of the State Secretariat of Health and the regulation of the conventions."

In the section connected with social affairs, the government's program promises "to improve the entire out-patient sector, by putting into operation the new health centers, and by developing courses for general and public health clinicians, and for auxiliary health technicians."

The activity of the staff of the Ministry of Social Affairs will continue "on an urgent basis" to carry out the necessary studies for the prompt construction of the hospitals required in the Lisbon metropolitan area, as well as for the hospital requirements in the Porto metropolitan areas.

In the area of social security, the government intends to "modify the system for unemployment protection, as well as that in cases of occupational accidents or diseases, through the establishment of social security for those contingencies."

In the sector of the Secretariat of Family Status, the program calls for "programs of constant education in the field of family and community life," as well as "the promotion of a policy for the protection of mothers and children and for that of the aged and disabled."

Agriculture and Commerce: Meeting the Domestic Demand

The main goal that the government cites for agriculture is "to increase the levels of self-sufficiency and of meeting the domestic demand for foodstuffs."

Secondly, the government proposes to consolidate and improve the current level of agricultural exports of products for guaranteed international trade, which will entail a redefinition of the policies on grape and wine, vegetable and fruit growing and on certain livestock products.

Other goals for the sector are to make use of and preserve the potential for forest products and to develop new crops, such as tobacco and beets.

To organize the agricultural markets, guiding them from the perspective of the common agricultural policy, is a concern expressed in the current government program, in addition to the adaptation of the price policy to the European community.

The final goals cited in the government's program are to back the restructuring of the agricultural enterprises and to consolidate the economic and social recovery of the agrarian reform intervention area, as well as to foster agricultural association and to give an incentive to agro-industrial units and to set up the physical infrastructure systems.

In the fishing sector, the prime objective is to increase fish production, so as to meet the increasing demand on the domestic market.

Other goals for the sector are to make use of the exclusive economic zone, to curb the rise in prices, to consolidate the production of flour and oils, and to contribute to the improvement of the balance of payments.

To attain these goals, the government intends, among other types of action, to carry out applied research, to establish agreements with other countries, to consolidate the economic and financial status of the nationalized firms in the sector and to intensify the overseeing of the exclusive economic zone.

The government proposes to set the guarantee prices of the various agricultural products at the proper time, as a means of stimulating production.

This measure is aimed at reducing imports and lessening their effects on consumer prices.

The government's program considers it necessary to take legislative action and action of other kinds aimed at a correct arrangement of the competition on the markets.

To prevent the increased cost of living, to reduce imports and to protect the interests of consumers are the leading concerns of the government in the area of commerce.

Mass Media: Modernization and Freedom

The program of the Eighth Government has adopted as a slogan for the mass media sector "modernization and guaranteed freedom."

Insofar as the nationalized mass media are concerned, the program announces that the executive branch "will expend unequivocal efforts to insure them strict impartiality and pluralism, according to the terms of the Constitution, and will execute measures aimed at the greatest possible dissociation of the state from the sector."

The government expresses the intention of paying particular attention to the regional press and the press for emigrants, and to the expansion of ANOP's news space in the country and within the communities.

In the text, it also expresses the intention of promoting "intensification of the cooperation and exchange with the African countries whose official language is Portuguese."

Pinto Balsemao's second executive branch is also considering creating the General Directorate of Mass Media, promoting the economic and financial recovery of RDP and reorganizing ANOP, giving financial backing to its activity, according to a contract-program to be agreed upon.

As for the laws on information, the government intends to make a priority review of the Press Law and of the regulations on press registration, legal storage of publications, and control of issues and surpluses of newspapers.

It is also a goal of the government to submit bills on the RDP, RDP rates, air time and access to public information sources, as well as to regulate the regional centers of RDP, RTP and ANOP in Madeira and the Azores, and to publish the statute on publication agencies.

Public Works

In the realm of housing, public works, transportation and communication, the government's program calls for the integration of the housing and employment infrastructures with social requirements, through a system of territorial regulation.

Since housing and employment are regarded as basic needs, the program calls for "the creation of incentives so that all those concerned may mobilize financial resources, increasing the supply without an immediate overload on the general state budget."

Priority is attached to the promotion of employment and the development of industry "with a greater degree of integration of national production and a relatively lesser dependence on the balance of current transactions", concentrating in a single ministry the activities designed to make the infrastructures, equipment and systems that are the determining factors for development and social progress operational.

In the area of housing, the government has scheduled as an absolute priority the development of systems for the purchase of individually owned housing, and the promotion of associated programs for the construction of housing at limited costs, to be developed by the municipalities with the backing of the state.

Some of the other items of major significance are to combat clandestine construction and disorderly urban growth, to review the legislation regulating rents, to maintain as a target the attainment, within a short time, of a production of 50,000 homes per year, to submit to the Assembly of the Republic a basic law on housing and to promote through the competent entities the recovery and conservation of the housing facilities.

For the implementation of public works, the government proposes to seek new sources of financing as a priority for school construction, and intends to institute a national policy that "will establish the principles for backing of a technical and financial nature" required to "insure an orderly introduction of urban tourist and industrial enterprises."

In the field of transportation, the government intends to start planning the infrastructures for internal passenger transportation, promoting the use of mass transport facilities for access to the large urban centers, so as to "improve the accessibility to centers of employment, education and housing."

The highway infrastructures will be improved and preserved as a priority, with the government promoting special programs for the "rehabilitation of railroads and airport modernization."

Technological reconversion and investment in the field of communications is an effort cited by the government as a means of reducing the gap separating the country from the European average, and reinforcing the links with the autonomous regions.

In the area of external transportation and communication, the government deems it important "to maintain and develop the capacities of the external sea and air transport firms."

"We are heading toward a revision of the Constitution, and we want to solve in the best manner for Portuguese interests, for our independence and for the institution that we respect, namely, the Armed Forces, the problem of the transition, which will be reflected in their subordination to the civil democratic authority. Therefore, the fact that Prof Freitas do Amaral is also minister of defense shows our respect for the Armed Forces, and our concern for solving that problem in the best manner."

As for the superstructure of certain ministries, the prime minister justified that measure by announcing the four priorities relating to the program: "an increase in agricultural production whereby it will exceed the distribution, thus giving the producer what he deserves, and not the middlemen who deserve considerably less."

His final remarks were directed at the AD parliamentary group, from which he requested the greatest effort in what he termed "the enormous task of changing Portugal."

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PARTIES' ATTITUDE TOWARD GOVERNMENT PROGRAM DESCRIBED

Lisbon O JORNAL in Portuguese 18 Sep 81 pp 2, 3

[Article by Fernando Antunes: "A Repetitious, Unappealing Debate"]

[Text] Today (Friday), the assessment of the program of the Eighth Constitutional Government reaches its conclusion. Three equally critical motions (from PCP [Portuguese Communist Party], FRS [Socialist Republican Front] and MDP/CDE [Portuguese Democratic Movement-Democratic Electoral Commission]) will, on different scales, express the varying degrees of rejection that this program evoked from the opposition groups represented at Sao Bento. A motion of confidence, immediately after the debate, will link the absolute majority of deputies (the AD [Democratic Alliance] majority) not merely to an attitude of tolerance, but to an express, dedicated support for the features of the program discussed at Sao Bento.

It is by now trite to say that these debates have become extremely boring, repetitious and uninteresting. No one, from one extreme to the other, including the opposition itself, denies this conclusion. But it would appear that both the deputies in the majority and the members of the parliamentary opposition lack the courage to undertake a study of less long-winded and more pragmatic methods that would accelerate this almost ritual which has assumed a disturbing aspect in our country, for well-known reasons: government instability, consecutive crises and the need for political and even personal affirmation.

When one cites the example of other democracies (such as France, where the discussion of the PSF's [French Socialist Party] government program took place in a day and a half, compared with the 4 days consumed in the Portuguese Parliament for a program which obviously offers very little that is new), one has the approximate gage of the different notions of what a debate of this kind is (or should be). The current pattern is by no means the most acceptable one, and even gives rise to the strangest situations, such as that involving one of Balsemao's ministers who, because of the time-clock demands, was unable to respond to a deputy who had criticized the performance of his department, and was limited to preparing a rebuttal which a majority parliamentarian ended up using in a dissociated speech.

Moreover, strangeness often permeates the entire background in which the debate of a government program takes place. The handling of the time and the clever criteria which each individual applies as he can, cause the most freakish loopholes and subterfuges. The required explanation, and the serious, structured responses that everyone would like to hear, in addition to an expression of desires and intentions, are

frequently lost in the impracticability of their formulation in such a brief time. The available time is "dissipated" and afterwards it is falsely claimed that it was not available, so they say, to meet the demand for explanations being sought, simply because there is no actual desire to respond.

One instance will suffice to document the absurdity into which a debate of this kind can be converted. At the second working session, to be sure because of the demands of his office, the foreign affairs minister expressed the desire to leave the room early. Andre Goncalves Pereira would not lack the wit to "undramatize" the naturally serious aspect of the matters relating to his ministry. Taking refuge behind state secrets and the very specific nature of the Ministry of Foreign Affairs ("a ministry admitted by him to be bad, and still good"), Goncalves Pereira, however, left the opposition open-mouthed when, pretending to give an explanation of the Portuguese Government's position toward the neutron bomb, he ended up doing an about-face and quickly leaving the amphitheater.

Will PS Respond to the AD Regime's Pact Today?

Benefiting from a certain weakness of PS [Socialist Party], which is incapable of devising a minimally studied strategy for undertaking the responsibilities that are still incumbent on it as an alternative to the government, Balsemao's executive branch and the majority backing it have had their path outrageously eased. Unlike PCP which, immediately after Pinto Balsemao's initial remarks, went forward with a motion of rejection, worded in extremely harsh terms, the Socialists played the role of a passive agent using, with few exceptions, a rather unclear language, showing an opposition that was rather unstable, or at least quite agitated.

So that no doubts or confusion would arise (the Communists may have thought), PCP has done what it never did before, with such boldness. It did not wait for the debate to take place, and did not want to draw conclusions from a discussion which had not even begun. It brought the motion home, and tabled it, without hope that PS would back it.

However, the Socialists have spent much of their time settling internal conflicts and "negotiating" as to who, in fact, should intervene, the manner of intervention, the time, etc. Balsemao and AD managed to reap dividends from that constant indecisiveness that not even Soares' presence succeeded in reducing, cleverly engaging in a certain "wait and see" attitude, of cooperation with PS, which is consecutively postponing its offensives and the time of "waking up" as an organized alternative.

This was the sole intention of the prime minister, last Monday, when he appealed for the solidarity of Portuguese democrats on five major national issues: the consensus regarding the Constitution, immediately involving the consensus on the constitutional revision; the issue of the regional autonomies, linked with the concept of the state itself and its relations with the citizens and communities; the chief orientation of foreign policy; the establishment and execution of a policy to preserve and enhance the nation's cultural heritage; and, finally, the agricultural issue.

This authentic "regime pact" directed toward PS may have a response over the short or medium term. But, according to some observers, the Socialists will once again pretend that they have not heard; although there are within PS some who demand a strong, unequivocal response that will not brook an excessive extension in time.

'A Good Thing for All Ideas'

It has already been noted that this debate, which deliberately kept until the end the discussion of economic policy and the IMF, was stodgy, tedious and repetitious. May of the sectorial remarks, both from the majority and the opposition, merely "composed" the program of the event, without lending it any luster.

But it had some undeniably constructive aspects. Freitas do Amaral's speech was considered, even by sectors of the opposition, to be a model of a policy speech, although it was disturbing in its hypotheses. Freitas do Amaral who has more than once emerged as the guardian of AD and its mentor, did not fail to point out that the constitutional law could certainly not solve all the problems and foresee all the solutions, specifically those of an organizational nature, which the subordination of the Armed Forces to the civilian authority must necessarily entail. "Despite the fact that meeting the goal of full democratization of the regime is at stake, or perhaps for that very reason, the path to be traversed is not easy, nor devoid of potential difficulties of various kinds."

Another topic which enhanced the debate was that of culture. Lucas Pires waited all Wednesday afternoon to deliver his address, and did not finish doing so until the early hours of Thursday. There were some who thought that this "arrangement" of the speech of the CDS vice-president was not the best for the head of the Ministry of Science. The government's group by then included few people, but to offset this there were some in the opposition group who awaited its reading with understandable inquisitiveness. The applause that it received at its conclusion confirmed that expectation. Lucas Pires did not fail to place the main stress on the desire that to raise the sectors of culture and scientific coordination to ministry status, reflecting a difference in nature and not merely degree in comparison with the previous situation, would in fact be an irreversible conquest. "The creation of a Ministry of Culture cannot help but aspire to be a good thing for ideas and for men with ideas, all ideas and all men with ideas."

The opposition received Lucas Pires' speech well, but did not fail to reflect on the reasons for this unexpected promotion of the sector. The Socialist Antonio Reis, specifically, stated that the action is related to AD's admission that the cultural organization and policy of the Sa Carneiro government and of the first Balsemao government were erroneous and that, "after all, the so denigrated Pintassilgo government was perhaps right."

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NEW AGRICULTURAL PROGRAM EXPLAINED

Lisbon O JORNAL in Portuguese 18 Sep 81 p 6

[Text] "I shall seek dialog and understanding exhaustively, and I shall comply, to the letter, with the terms of the law." From Portalegre to Lisbon the new state secretary of agrarian structure, Joao Jose da Silva Macas, brought a strong determination to "moralize the services" and very clearcut ("definitive," he remarks) plans for the future "of what they call there agrarian reform." Hence, there is a promise of an impetus for legality and competence. "Or are we here to play around in the state secretariats, ministries and governments?" he inquires, in statements made to O JORNAL and collected by Clara Pinto Correia.

He is a convinced and avowed legalist. "I do not want to hamper processes with useless bureaucracy, but if I am in this position it is so that everything will be done with complete legality." He is also incorruptible. "I am completely free, insofar as ties and commitments with any organization whatsoever are concerned." He does not accept pressure. "And that is categorical. On the day when I feel that I have allowed myself to be caught in the web of any group, I shall make my position available. I have already told that to the minister." And he is a persistent holder of dialog. "I want to talk with all the groups, and to weigh all the arguments alike. Let no one think that I shall be limited to A, B or C; I shall hear the entire alphabet!"

The plan that the young man making his debut in governmental tasks has brought from Portalegre could not be more assuredly controversial in its extreme simplicity, which does not leave any room for implications: The law is to be complied with, period.

In his opinion, the turnover of reserves should continue, as should the assignments of hectares to tenants and field hands; but with the most stringent compliance with the legal procedures established for these processes; therein lies the difference. "The former state secretary had his opinions, and I am not criticizing him. But I have mine, and they are different."

His taking of office was marked by the immediate suspension of 29 processes for the turnover of reserves which were already under way: Before allowing them to go ahead, the state secretary would study them, subjecting them to a fine-tooth comb, in order to check their validity. So long as he is in this position (he says), there will not be any hasty turnovers, concessions or blank signatures. "In matters of this type, one cannot make hasty decisions. In turning over reserves, one cannot work with deadlines."

And if the regional administrations do not follow his example, and disregard the law, regardless of how slightly, all the worse: the processes will retrogress.

'Giving Land to the Poor Little Ones...'

A priority matter which Silva Macas intends to study in depth and immediately is the question of the land turned over to tenants and field hands. "They are the ones whom I consider the real farmers," he repeats several times, referring to the people that he most admires and with whom "it is intolerable to play games." One thing is indisputable to this son of a small farmer who, before going to Lisbon, helped his father in his farm work during his few free hours: "The slave of the land must be ended, and be replaced by a citizen with as many rights, and as much respected as others."

Therefore, it is necessary to ascertain, without the slightest superficiality, whether the turnovers that have been made are compatible with this transformation in view, from the standpoint of area and profitability. There must be assurance of technical accompaniment, and guarantees of a viable exploitation must be established; because, and the state secretary emphasizes what he is saying: "This is not a matter of giving a few hectares of land to the poor little ones!"

The latter is a type of policy which, in his opinion, leaves the farmers "sold out to the insects" and usually finds them, at the end of the year when, according to law, the contract must be reviewed, disoriented and in trouble from an economic standpoint. "The state loses, and the process is discredited."

He is definite about those whom he does not regard as suited for exploiting the land that they have: "Those contracts will not be renewed. They can make their living wherever they want. Agriculture cannot be a victim of this type of situation."

Putting an End to Unprofitable Business

In this way, the first major objective set forth in the government's program would become possible to achieve, namely, increased production. For this purpose, Silva Macas must be victorious in the difficult crusade that he intends to carry out in order to convert the public administration (at least the sector which covers his area of activity) into a model of efficiency and capacity for response. "Working in a state secretariat is no 'hobby.' 'Hobbies' are only for weekends and for after working hours!"

Therefore, there is no ambiguity. "Anyone here who is involved in situations marked by a lack of interest or failure to cooperate is someone who does not serve the interests of agriculture, and who does not serve the interests of the country. They will be replaced in their positions."

The goal is clear: "We shall put an end to certain unprofitable businesses and all dead weights."

Hence, the institutions that have been created must operate in accordance with the spirit which governed their creation. The Institute of Land Structure Management, for example: "It is an entity that exists, and we cannot afford to have it inoperative. It will start to be consulted at all times, and responsibilities will be demanded of

it. Are the slots on the table of organizations not all filled? Then let them be filled!"

CAP [Portuguese Farmers Association]: 'An Organization Like Others'

But the law must never be set aside. If necessary, change it; such a change would have to be carefully studied, and the new state secretary will not abide by it until after it has been approved, and only if he agrees with it. If he should not agree, he would leave...

During the 2 days when he officiated at the Portalegre Chamber, in which AD [Democratic Alliance] was not even in the majority, he is proud of having achieved an atmosphere of overt cooperation, wherein "the ice was broken very soon," and it was only necessary to solve the problems by voting on three occasions. A "feat" that he attributes to his constant search for dialog, a procedure that he intends to transplant, intact, to the Terreiro do Paco buildings. "I shall make decisions, with a clear conscience, after having listened to all the factions." And then, if anyone wants to make appeals, let him do so in court.

In this plan of action, CAP does not merit any special attention. "I consider it an organization like others, and it is on this basis that I shall listen to it."

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PAPER HITS PALME VIEW ON DEFENSE SPENDING

PM021101 Stockholm SVENSKA DAGBLADET in Swedish 28 Sep 81 p 2

[Editorial: "People and Defense"]

[Text] Olof Palme is both Social Democratic Party leader and leader of the opposition. But Palme is also one of the members in the Triumvirate--the other two are Willy Brandt and Bruno Kreisky--which has deliberately transformed the Socialist International into a security policy instrument. Finally Palme is also chairman of the commission which bears his name and concerns itself with questions of detente and disarmament.

Can these tasks be combined without a conflict with his loyalty to purely Swedish interests? Could Palme feel obliged, in order to preserve his credibility as an international disarmer, to neglect Swedish defense needs?

These questions have not yet been discussed. After Palme's speech to the Social Democratic Party Congress on Sunday [27 September] the questions have been thrown into sharp relief. Let us merely state that combining the roles is by no means without its complications.

While Denmark is raising--albeit modestly--its defense budget and Norway is putting its house in order, Palme advocates cuts and reallocations which would lead to even further emasculation of our defense effectiveness.

The function of the Swedish armed forces is to preserve peace. By their strength they have made a considerable contribution to the detente and stability which prevail in our part of the world. In other words our defenses are the strongest peace-preserving instruments in the Nordic area. In addition there are the volunteer defense organizations which together form an enormous popular movement in the service of peace.

There is of course nothing wrong in paying tribute to the many people who work for the cause of peace, often unselfishly and with deep feeling for their cause. But should not the Swedish defense forces and the popular movement behind them deserve an equally honest tribute to their efforts, no less idealistic and self-sacrificing? Presumably this was thought to be less fitting with regard to the atmosphere and the songs which formed the framework of yesterday's debate in the congress hall.

It would also tidy up the debate a little of Communist parade phrases such as "broad popular movements" and the like were reserved for our Bolsheviks. In a television program last week [former Swedish Prime Minister] Tage Erlander's good friend and adviser Torsten Gustafson appeared with a view of the nuclear arms balance completely different from Olof Palme's. Does the Social Democratic Party leader think that Gustafson can in no way represent the people?

Let us also take the question of a nuclear-free zone. What is there to say that Social Democrat Inga Thorsson [who recently described the idea as impracticable] cannot represent the people?

According to Palme nothing should be allowed to sully the belief that the Swedish Social Democratic Party is united behind the call for a nuclear-free zone in the Nordic countries. Of course, it does not lessen the size of Palme's debacle last week in the television program "Pejling," nor will the congress decision guarantee that anything like all party members will back Palme on this point.

Palme has an unfortunate facility for uttering phrases which can be interpreted in many ways. On Sunday they hit the JAS [proposed new pursuit, attack and surveillance aircraft for Swedish armed forces].

A possible future Social Democratic rejection of the JAS would, according to Palme, not be seen as an expression of unilateral Swedish disarmament but rather as an expression of the fact that the party, after evaluating the facts, had found a better solution. Despite the fact that the congress is keeping the JAS question open and despite former Defense Minister Eric Holmqvist's model report to the congress on this topic, the party chairman's words will be interpreted as indicating rejection of the JAS. This is deeply unfortunate, especially since it affects the world around us.

There is always a connection between the state of our economy and defense spending. The Social Democratic view that to strengthen the defense forces now would eventually jeopardise the Swedish people's willingness to defend themselves is also valid.

The will to defend the country is based on something more fundamental than on the economic situation of the day. Olof Palme--and we are convinced of this--would be the first to call for reinforcements if the situation outside our borders worsened seriously, just as he is the first to pay tribute to peace movements in their day. But the defense budget cannot be allowed to be subject to this kind of oscillation.

We could say that with his speech Palme is continuing to smooth the way for Majbritt Theorin. As recently as the 1975 party congress she was declared incompetent. On Sunday Theorin triumphed over the party executive on the question of arms exports.

Obviously effects more powerful than Sunday morning's coup exercise in Stockholm, executed with much noise during the congress defense debate, is needed in order to bring Social Democratic defense policy back to reality's harsh facts.

DEMOGRAPHIC REPORT PUBLISHED

Nicosia THE CYPRUS WEEKLY in English 25 Sep-1 Oct 81 p 3

[Text]

'A baby born in Cyprus in 1940 was expected to live about 58 years. A baby born today is expected to live 73 years. Women on average live longer than men, with their life expectancy calculated at approximately 75 years as compared to 72 years for men.

"The drop in infant mortality has been even more spectacular, and the rate from 63.4 deaths for 1,000 live births in 1950 dwindled to 17.2 in 1980. This was the result of the great improvement in medical care, the education of mothers and the general socio-economic development of the country". From the 1980 Demographic Report

There were fewer marriages in Cyprus last year because of the continuing strong prejudice against getting married in a Leap Year, according to the 1980 Demographic Report.

Weddings last year (excluding Moslem ones) dropped to 3,908 from 6,355 the previous year. "Obviously many couples who would normally have got married in 1980 either rushed to have their wedding in 1979 or put it off until 1981", the report says.

There were also slightly fewer divorces — 155 compared with 161 the previous year.

7 year itch

Under new regulations introduced by the Cyprus Church, all grounds for divorce can now be used by both husband and the wife alike. The majority of the divorces were issued against the wife, with "desertion" the main ground for separation.

Half of the divorces issued in the years 1975-1980 had a marriage duration of 7½ years — an indication that the 'seven year itch' is valid among Cypriot couples.

Usually, for people getting married for the first time, the groom is older by 3-4 years. The difference in age grows in cases where the man is older. He tends to prefer younger women.

But in the cases of young men under 20, the picture is exactly the opposite — the brides are then older than the grooms.

The encouraging news in the report is that there has been a steady increase in births in the last few years — despite fears that the population of the island was showing no growth.

There were 13,647 births last year, compared with 12,767 in 1979 and 11,871 in 1978.

But the report says the higher rate during the last few years was not the result of a desire for more children. The increase was mainly due to a "favourable age structure" — an increase of the female population in the most fertile age group of 20-34.

In the years immediately before the Turkish invasion,

the fertility rate (the number of children a woman is expected to have in her lifetime) was 2.40. In 1975, however, it went down to just over 2 children "the lowest ever recorded in the demographic history of the island".

Population

However, it has gradually reached the pre-invasion level again and even registered a small increase last year when it was computed at 2.47 births per woman.

The Cyprus population has been growing at a rate in excess of one per cent per annum in the last two or three years, the report says.

By the end of 1980, the total de jure population reached 633,500, up 1.4% (or 9,000 people) over the previous year.

Cyprus witnessed its highest growth rate during the Forties when an increase of nearly 10,000 people or

2.1% per year was recorded.

In the Sixties and Seventies the island had a "flattening off" in the population growth due to a gradual reduction in fertility coupled with massive emigration during periods of political unrest and the losses caused by the Turkish invasion.

The report also says before 1976, there were more women than men, but gradually a balance was achieved and during the last two years the sex composition was marginally in favour of males.

In general there is a male predominance in the younger age groups which diminishes along with age, while in the older ages a female majority is observed.

"This is due to the fact that there are more male than female births and that females have a longer expectation of life".

UPWARD TREND IN BIRTHS REPORTED

Nicosia CYPRUS MAIL in English 24 Sep 81 p 3

[Text] The birth rate in Cyprus in the last five years had been following an upward trend and in 1980 rose to 21.7 births per thousand population compared to 20.5 in 1979 and 19.3 in 1978, according to the Demographic Report by the Statistics Department for the year 1980.

But, the report says, the higher birth rate observed during the last few years is not the result of a desire for more children among Cypriot women.

It is mainly due to a favourable age structure of the population, i. e., an increase of the female population in the most fertile group 20-34 from 73,000 in 1973 to 84,000 in 1980.

The number of standardised births is consistently lower than the actual number, confirming that the favourable age structure is responsible for most of the increase in the number of births. This trend is likely to continue for the next years before this large number of women passes out of the most fertile age-group, provided of course there are no other restraining factors.

The standardised birth rate for 1979 and 1980 is higher than that of 1973 and this means that apart from the favourable age structures of women there is a small increase in the number of births which could be attributed to other reasons, such as the large number of marriages in 1979 (immediately preceding a leap year), an improvement in the birth registration, or the result of the preference of couples with regard to the spacing of their children.

The total fertility rate which gives the number of children a woman is expected to have in her lifetime shows a similar trend. From about 2.40 children per woman in the years immediately before the Turkish invasion it decreased to 2.01 children in 1975, the lowest ever recorded in the demographic history of the island; it has, however, gradually reached the pre-invasion level in 1979 and even registered a small increase in 1980 when it was computed at 2.47 births per woman.

CSO: 4600/33

BRIEFS

HOUSE PRESIDENT TO VISIT YUGOSLAVIA--The President of the House of Representatives, Mr George Ladas, has accepted an invitation to visit Yugoslavia in November. The invitation, from the President of Yugoslav Federal Assembly Mr Markovic, was conveyed by the Yugoslav ambassador Mr Cvijeto Job who called on Mr Ladas on September 14. He suggested the period from November 11-14 as a possible date for a visit to Yugoslavia by a Cyprus Parliamentary delegation. The date was accepted in principle. Mr Job also introduced the Second Secretary of the Embassy Mr Dragan Mraovic who will be acting as Charges d'Affaires during Mr Job's absence. [Text] [Nicosia CYPRUS BULLETIN in English No 36, 19 Sep 81 p 4]

RELATIONS WITH YUGOSLAVIA--Cyprus and Yugoslavia signed on September 2 an agreement providing for cooperation in the field of information. The agreement was signed in Nicosia by the Cyprus Minister to the President, Mr Stelios Catsellis, and the Yugoslav Ambassador, Mr Cvijeto Job. It provides for exchange of information between the Yugoslav News Agency Tanjug, the Cyprus Broadcasting Corporation which runs the Cyprus News Agency and the Cyprus Government's Public Information Office. Mr Catsellis said the exchange of information on all aspects of human endeavour "brings peoples closer together and fosters a spirit of friendship and understanding among them". In the case of Cyprus, information and communication were the "most significant weapons in our struggle to make our cause known and thus secure support for our efforts to achieve a just and peaceful solution to the Cyprus problem", he added. Mr Job said the two non-aligned countries were committed to the establishment of a New World Information Order. [Text] [Nicosia CYPRUS BULLETIN in English No 35, 12 Sep 81 p 2]

MITTERRAND'S VISIT--French President Francois Mitterrand is to visit Greece some time after the October 18 elections. This was announced by Mr Mitterrand himself who said after his visit to West Germany and Britain he would tour the other seven EEC countries accompanied by most of his government ministers. During the second half of November President Mitterrand is expected to visit Algeria and in the first three months of the new year Israel. Today he begins a visit to Saudi Arabia. While the date of his visit to Greece has not yet been fixed, sources in Athens say he will be the guest of President Karamanlis. [Text] [Athens ATHENS NEWS in English 26 Sep 81 p 4]

URBAN POPULATION INCREASE--The Turkish invasion and resultant displacement of the rural population has led to a predominance outnumbering of the urban population for the first time in Cyprus' history. This is revealed in the Demographic Report for 1980 by the Statistics and Research Department of the Ministry of Finance. Cyprus, it says, experienced its fastest urbanisation growth during the last three decades. In 1946 only 26% of the total population was residing in urban areas. It increased to 36% in 1960 and by 1973 the proportion rose to 42%. As a result of the Turkish invasion, when a significant proportion of the displaced rural population took refuge in towns, the share of the urban residents was boosted further to 53%, outnumbering the rural population for the first time. The report also notes that declining fertility resulted in the aging of the population of Cyprus so that by 1980 the persons in the "65 and over" age group comprised 9.9 per cent of the total as compared to 6.4% in 1960. The proportion of children below 15 fell from 36.4% in 1960 to 24.6% in 1980. There was a decrease in the child population in absolute terms as well, reflected in the low number of pupils enrolled in primary and secondary schools. [Text] [Nicosia CYPRUS MAIL in English 22 Sep 81 pp 1, 4]

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